



**ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2025



MINNESOTA

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Annual Comprehensive Financial Report

of the

City of Andover, Minnesota

For the Year Ended

December 31, 2025

Prepared By: Finance Department
City of Andover

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CITY OF ANDOVER, MINNESOTA
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I. INTRODUCTORY SECTION

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June 2, 2026

To the Citizens of the City of Andover,
Honorable Mayor and City Council

The Annual Comprehensive Financial Report is submitted in conformance with all applicable governing laws and regulations. The following has set the standards forth:

- *Andover City Policy and Code
- *The State Auditor, State of Minnesota
- *Government Finance Officers Association
- *Governmental Accounting Standards Board

RESPONSIBILITY. Responsibility for both the accuracy of the presented data and the completeness of the financial statements including all disclosures rests with the City. We believe the data, as presented, is accurate in all material aspects. This report has been presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of its various funds.

FINANCIAL STATEMENT FORMAT. This Annual Comprehensive Financial Report is presented in three main sections:

- I. Introductory
- II. Financial
- III. Statistical

The **Introduction** includes a list of the City's principal officials as of December 31, 2025, the table of contents, the public officials, organizational chart, and this Letter of Transmittal. The **Financial Section** includes: (1) independent auditor's report; (2) management's discussion and analysis; (3) government wide and fund financial statements; (4) notes to the financial statements; (5) required supplementary information; (6) the combining statements, individual fund statements; and (7) the supplemental information. The **Statistical Section** includes tables and reports of various economic, social, financial, and fiscal data designed to reflect trends and ratios.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Andover's MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY. All City funds, departments, commissions, and other organizations for which the City of Andover is financially accountable are presented within the Annual Comprehensive Financial Report. The Andover Firefighters' Relief Association does not meet the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report.

GENERAL INFORMATION. The city we know today as Andover was first organized in 1857 under the name "Round Lake Township." However, in 1860 the name was changed to "Grow Township" in honor of U.S. Representative Galusha A. Grow of Pennsylvania. Senator Grow spoke at a political campaign in Anoka that year, and the town name was changed to reflect U.S. Representative Grow because of his strong advocacy of the Union cause. At that time, the population was 330 and included the geographical area we know today as Ham Lake. In fact, the area of Ham Lake was considered a part of Grow Township until 1871.

In 1972, the Grow Township Board of Supervisors recognized that the town was growing at a very rapid rate. They felt a village form of government would provide better services to the community. Board supervisors then voted in favor of proceeding with the incorporation process. The board voted to submit a new name for the village. "Andover Village" was chosen because the name Andover had historical interest. The historical interest, we believe, came from the Andover train station.

To the Citizens of the City of Andover,
Honorable Mayor and City Council

You may have heard the popular “train myth” about how Andover received its name. The myth states that a train tipped over in a swamp, and an eyewitness, relaying the incident, said it “went over and over,” thereby naming the city “Andover.” However, research reveals that the name Andover first appeared in an article dated March 14, 1899 in the *Anoka County Union Newspaper* - before train tracks were ever built in the city.

The article stated that the Eastern Minnesota line of the Great Northern Railway was in the process of constructing railroad tracks from the Coon Creek Cut-off to the North. The railway announced that new railroad stations with mathematical precision were to be located five miles apart from each other. The new stations (from Coon Creek to the North, along the new railroad line) were to be named Andover, Cedar, Bethel, Isanti, Cambridge, Stanchfield, Braham, Grasston, Cornell, and Brook Park. On July 4, 1899, the first train passed through the Andover station. Where the railway came up with the name Andover remains unknown.

Andover Village was established in 1972 and then became the City of Andover, a city of the fourth class, in 1974. Today the City of Andover’s population exceeds 20,000, classifying it as a second-class city.

The City of Andover as it exists today consists of 23,040 acres. Andover has a population estimated at approximately 33,000. A growing suburb of the northern metropolitan area, the City of Andover is approximately sixteen miles from Minneapolis.

SERVICES PROVIDED. The City of Andover provides various services to the residents in the community. The current services are:

General Government:

Mayor and City council	Financial administration	Information systems
Newsletter	Elections	Facility management
City clerk	Assessing	Engineering
Administration	Legal	Risk management
Human resources	Planning and zoning	

Public Safety:

Police	Protective inspection	Animal control
Fire protection	Emergency Management	

Public Works:

Streets and highways	Street signs	Traffic signals
Snow and ice removal	Central equipment maintenance	Water maintenance
Street lighting		

Sanitation:

Storm sewers	Sanitary sewer maintenance
--------------	----------------------------

Parks and Recreation:

Parks	Community Center
-------	------------------

Recycling

GOVERNMENT STRUCTURE. Andover is a statutory city with the City Council appointing a City Administrator. The City Administrator has operating responsibilities for all City functions. A list of public officials and organizational chart can be found on page 11 and 13, respectively.

ECONOMIC CONDITION AND OUTLOOK

Moderate population growth is expected to continue in 2026 and 2027, with an estimated population of 33,554 by 2026. The rate of residential growth as compared to the growth in the 1990’s and 2000’s has significantly declined as the availability of residentially zoned property decreased. The City has experienced a significant amount of commercial growth from 2000 through current 2025. Continual commercial growth is anticipated over the next couple years; beyond that, growth will slow as the amount of undeveloped commercially zoned property also declines.

The City's General Fund has two major categories of revenue, which accounted for 81.7% of the total in 2025. They are general property taxes at 71.6% and charges for services at 10.1%. In prior years, intergovernmental revenue was the second largest category of revenue for the General Fund. Intergovernmental revenue includes state aids, such as local government aid (LGA), highway maintenance aid, fire relief aid and police aid; and county grants, such as recycling and community development.

To the Citizens of the City of Andover,
Honorable Mayor and City Council

During the past several years, the State of Minnesota has made numerous changes to laws pertaining to the distribution of LGA resulting in the elimination of that revenue for the City.

The City's General Fund receives a substantial amount of revenue from licenses and permits. The past ten years are shown below:

	<u>Revenues</u>	<u>Change</u>
2016	\$ 625,907	n/a
2017	546,378	\$ (79,529)
2018	562,525	16,147
2019	855,831	293,306
2020	892,279	36,448
2021	891,762	(517)
2022	972,879	81,117
2023	854,739	(118,140)
2024	873,585	18,846
2025	1,120,745	247,160

Single-family residential development experienced a dip starting in 2017, with building permits falling from 111 in 2016 to 94 and dropping further to 60 in 2018. However, overall growth in 2018 was buoyed by a strong commercial sector, which saw permit valuations exceed the previous year by over \$10 million. Residential construction rebounded sharply in 2019 as single-family permits nearly doubled to 116, kickstarting a multi-year growth trend that peaked at 139 permits in 2020 and 140 in 2021.

The following years shifted toward higher-value commercial and multi-family projects. In 2022, single-family permits dipped to 103, but total value was anchored by a \$22 million, 150-unit apartment complex. A similar trend occurred in 2023: single-family permits fell to 64, but overall value was sustained by three new commercial permits totaling \$22 million. By 2024, residential permits bounced back to 101, though commercial valuations slowed to \$2.4 million. Most recently, 2025 proved to be a banner fiscal year; single-family permits held steady at 102, while a massive \$50.5 million in commercial permit valuations drove significant revenue growth. The fall of 2025 included the groundbreaking of a 175-unit senior facility.

The City's General Fund also receives a considerable amount of revenue from charges for services. The past ten years are shown below:

	<u>Revenues</u>	<u>Change</u>
2016	\$ 912,219	n/a
2017	843,023	\$ (69,196)
2018	888,947	45,924
2019	1,133,161	244,214
2020	1,070,899	(62,262)
2021	1,036,929	(33,970)
2022	1,295,430	258,501
2023	1,447,506	152,076
2024	1,391,734	(55,772)
2025	1,708,248	316,514

As part of the annual budget process, the City routinely analyzes and adjusts user fees to reflect market activity. Fluctuations over the past several years directly mirror shifts in local construction and infrastructure projects. A slight revenue decline in 2017 was driven by a drop in housing permits compared to 2016, but fees rebounded in 2018 due to a surge in commercial plan check volume. This momentum carried into 2019, which saw a major spike in single-family housing permits (nearly doubling 2018 levels) alongside significant expansion projects launched by both the City and the school district.

While residential growth sustained through 2020 and 2021, a total absence of new commercial activity caused an overall revenue decline compared to the 2019 peak. Revenues climbed again in 2022 and 2023, bolstered by robust construction activity and increased engineering fees from municipal roadway projects. This infrastructure-driven revenue dipped slightly in 2024 as the remaining 2021 A.G.O. Street Reconstruction Bond proceeds were fully expended in 2023. Most recently, in 2025, user fee revenues rebounded sharply, once again driven by a strong upswing in commercial construction and associated roadway engineering fees.

To the Citizens of the City of Andover,
Honorable Mayor and City Council

In 2025, the City issued 102 new single-family building permits with a total valuation of \$33,553,396 compared to 101 new single-family building permits with a total valuation of \$35,137,878 the prior year. The past ten years are shown below:

	New Residential		New Commercial / Industrial	
	Permits	Valuation	Permits	Valuation
2016	112	\$ 39,368,036	6	\$ 3,534,200
2017	94	27,847,716	-	-
2018	60	19,703,856	2	2,860,000
2019	116	37,258,817	1	3,381,400
2020	139	45,464,139	-	-
2021	140	43,464,138	-	-
2022	104	56,329,461	3	6,983,400
2023	64	21,454,268	3	22,344,000
2024	101	35,137,878	5	2,400,000
2025	102	33,553,396	5	50,478,662

Residential Development

Residential growth remains steady with the addition of several new plats, including Fields of Winslow Cove 4th Addition (85 urban lots), Lakeview at Sloth Farm (5 urban lots), Boulder Prairie Estates (27 urban lots), and Hartmans Meadows (12 rural lots). Currently, the City maintains a supply of 152 urban and 13 rural lots.

Commercial Industrial Development

The City saw robust development in 2025, welcoming new businesses such as Starbucks, Chipotle, 304 Bakery, Resemble Barbers, Chase Bank, and a Holiday/Circle K. Significant institutional growth is also underway, with Meadow Creek Church constructing a new facility and Transform Church expanding its campus. Additionally, the Crosstown Landings senior housing project is under construction; once complete, it will provide 217 units and premium amenities, including a warm water pool, indoor pickleball, a golf simulator, and fitness rooms.

EMPLOYMENT

The City of Andover's largest employers are government entities. The Anoka-Hennepin School District has a significant presence in the community and Anoka County's Parks and Highway Departments and Sheriff's Office headquarters are in Andover. The City of Andover is best classified as a bedroom community since most of the residents commute outside of Andover for employment opportunities. The City does anticipate with the completion of development of the Andover Station Commercial Park that additional employment opportunities will be provided to residents soon.

Major employers in Andover are as follows:

Firm	Type of Business / Product	Number of Employees
Anoka-Hennepin ISD No 11	Elementary and secondary education	736
Wal-Mart	Retail	335
Anoka County Sheriff's Office	County government and services	250
Kottkes' Bus Service, Inc.	Bus transportation	225
Target	Retail	200
YMCA	Youth organization - fitness center	192
M Fairview - Andover Clinic	Healthcare	125
Anoka County Highway Department	County government and services	122
Legacy Christian Academy	Elementary and secondary education	100
Bunker Hills Regional Park / Activity Center	County government and services	100

MAJOR INITIATIVES

FOR THE YEAR. The City has many accomplishments to report for 2025. The following list is a summary of some of the major initiatives completed throughout the year.

- 1) The City secured \$8 million in State funding to extend municipal water into the Red Oaks neighborhood (Phase II), a neighborhood where private wells were discovered to be contaminated while conducting water sampling near the Waste Disposal Engineering (WDE) Closed Landfill in Andover. Construction is scheduled for 2026, with 84 homes potentially connecting to the municipal water supply.
- 2) Over 12 miles of roads were either reconstructed or overlaid during the road construction season. Additionally, two new roundabouts were completed at the intersections of Nightengale Street with Crosstown Blvd and Veterans Memorial Blvd.
- 3) New residential plats included Fields of Winslow Cove 4th Addition (85 urban lots), Lakeview at Sloth Farms (5 urban lots), Boulder Prairie Estates (27 urban lots), and Hartmans Meadows (12 rural lots). The City currently maintains a supply of 152 urban and 13 rural lots.
- 4) Several new businesses moved to Andover, including Starbucks, Chipotle, 304 Bakery, Resemble Barbers, Chase Bank, and a Holiday/Circle K. While some utilized existing spaces, most established new standalone structures.
- 5) Transform Church began a 23,000-square-foot expansion, and Legacy Christian Academy purchased the former Meadow Creek Church facility. Meadow Creek Church is now building a new 8,400-square-foot facility on the adjacent property.
- 6) Crosstown Landings is currently under construction and will provide 217 units of senior housing once complete, and include a warm water pool, indoor pickleball court, indoor golf simulator, wellness/fitness rooms, and other amenities for its residents.
- 7) The Bank of Elk River received a Conditional Use Permit for a building with a drive-thru and is expected to start construction of a 2,700 square foot facility in 2026.
- 8) An Alternative Urban Areawide Review (AUAR) began for approximately 800 acres of the Rural Reserve. This study evaluates the potential for up to 1,545 residential units and 30 acres of commercial property.
- 9) Recruitment initiatives resulted in 11 new paid-on-call hires for the Andover Fire Department.
- 10) Andover residents continue to maintain one of the highest recycling rates per person in Anoka County. The City hosted successful monthly recycling events throughout 2025, focusing on items like electronics and paper shredding.
- 11) For the 23rd consecutive year, the City received the GFOA "Excellence in Financial Reporting Award."
- 12) The City continues to implement its single-family rental housing license program, which provides landlords with educational materials and checklists for property maintenance. The program includes a list of potential ordinance violations and an exterior inspection conducted by City staff. Authorized by the City Council in 2009 and reviewed annually, the program saw nearly 275 single-family rental licenses issued throughout the City in 2025.
- 13) The City is making strong progress in digitizing retained records, from standard legal documents to large-scale construction plans. This effort has improved data retrieval, reduced the need for additional office space, and sped up City research projects, contributing to long-term staffing and operational savings.
- 14) The City continues to utilize financial management software updates to enhance reporting and operating efficiencies, resulting in more timely reports and reduced personnel costs. In 2025, the City saw continued growth in both online and in-person credit card payments for permits and services. Currently, approximately 65% of Building Department permits are processed online, saving customers significant time and travel expenses.

To the Citizens of the City of Andover,
Honorable Mayor and City Council

FOR THE FUTURE. The City continues to focus on quality-of-life improvements throughout the City. These efforts cover a broad array of areas including protecting and improving the environment, revitalization of parks and public areas, expanding recreational opportunities, providing cost-effective city services, increased communication between city representatives and the public and added commercial/retail opportunities.

The City utilizes many avenues to reach its residents, whether through community access television, electronic reader boards, the City newsletter, Facebook, Twitter, or the City's webpage (www.andovermn.gov). It is important to the City that our residents are informed and can participate in the activities of their City.

RELEVANT FINANCIAL POLICIES

The City has a policy regarding General Fund reserve balances. The City plans for an unassigned fund balance in the General Fund equivalent to 6-months of the current year's budgeted expenditures to provide working capital between semi-annual property tax settlements. Since the property tax settlements are received by the City in July and December, the City needs sufficient cash reserves to avoid short-term borrowing to finance operations. The City also classifies fund balances for prepaid items, inventories, and other legal obligations. The City may also classify a portion of fund balance for special purposes.

The primary goal of the City's investment policy is to ensure the safety of the principal invested. Cash temporarily idle during the year is invested in certificates of deposit, commercial paper, and obligations of the U.S. Treasury and government agencies. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at the end of each quarter. Extended maturities are utilized to take advantage of higher yields but staggered in a way to meet projected liquidity needs.

Capital financing for major improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time and are used to help satisfy the improvement bond debt or reimburse the fund used to finance the project.

The City Council has also adopted financial management policies to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. These policies are reviewed each year when the annual budget is adopted. The financial management policies included: operating budget policies; revenue policies; accounting, auditing, and financial reporting policies; investment policies; debt policies; capital improvement policies; and risk management policies.

The City Council has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance adopted by the City Council recognizes that the evaluation of cost and benefits requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and provide reasonable assurance of properly recording financial transactions.

OTHER INFORMATION

AWARDS. The Government Finance Officers Association (GFOA) of the United States and Canada presented the Certificate of Achievement for Excellence in Financial Reporting Award to the City of Andover for its 2024 Annual Comprehensive Financial Report. This is the twenty third time the City of Andover has received this award. To receive this award, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. We believe this report for 2025 continues to conform to the Certificate of Achievement Program requirements and have submitted it to the GFOA to determine its eligibility for another award.

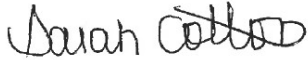
INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. Redpath and Company, LLC. was engaged by the City to render an opinion on the City's financial statements. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

To the Citizens of the City of Andover,
Honorable Mayor and City Council

ACKNOWLEDGMENTS. The preparation of this report could not have been accomplished without the efficient services and dedication of the Finance Department staff and the consultation of the City's auditing firm. Staff members: Lee Brezinka, Melissa Knutson and Brenda Fildes have my sincere appreciation for their contribution to the preparation of this report.

I also want to express our appreciation to the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sarah Cotton". The signature is written in a cursive, flowing style.

Sarah Cotton
City Administrator

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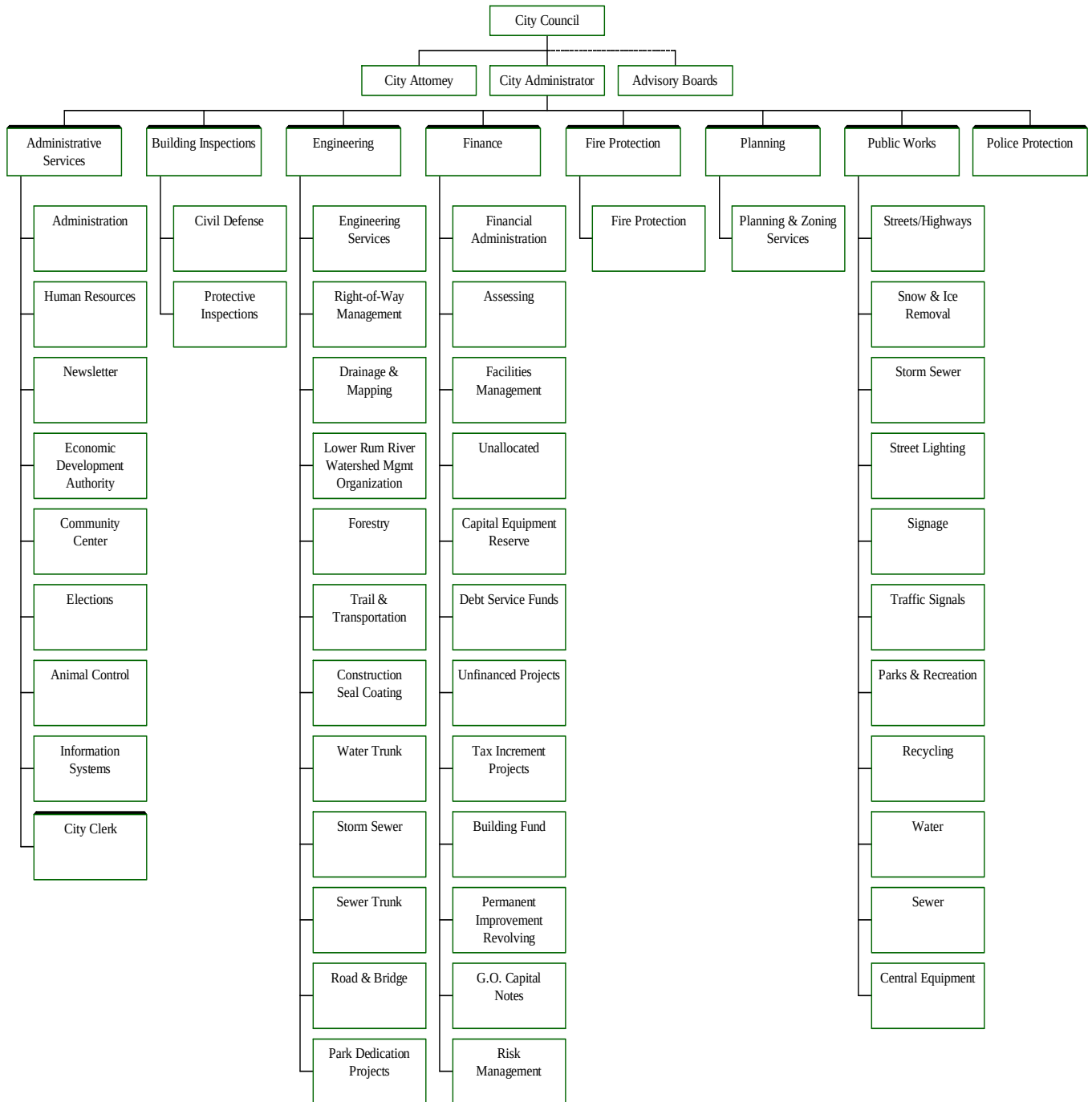
CITY OF ANDOVER, MINNESOTA
ORGANIZATION
 December 31, 2025

Office	Name	Term
Mayor	Jamie Barthel	January 5, 2027
Council Member	Rick Engelhardt	January 5, 2027
Council Member	Karen Godfrey	January 5, 2027
Council Member	Scott Schue	January 2, 2029
Council Member	Jonathan Shafto	January 2, 2029
City Administrator	Sarah Cotton	Appointed
Community Development Director	Joe Janish	Appointed
Director of Public Works / City Engineer	David Berkowitz	Appointed
Finance Manager	Lee Brezinka	Appointed
Building Official	Joe Heidelberger	Appointed
Fire Chief	Jason Baumunk	Appointed
City Clerk	Michelle Hartner	Appointed
Attorney	Berglund, Baumgartner & Glaser, LLC	Appointed
Fiscal Consultants	Ehlers & Associates, Inc.	Appointed

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CITY OF ANDOVER

Organizational Chart



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Andover
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Executive Director/CEO

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Andover, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Andover, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Andover, Minnesota, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Andover, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on Summarized Comparative Information

We have previously audited the City of Andover, Minnesota's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 22, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Andover, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud



may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Andover, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Andover, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and the schedules of OPEB and pension information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Andover, Minnesota's basic financial statements. The accompanying combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical, and other financial information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2026, on our consideration of the City of Andover, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Andover, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Andover, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

May 21, 2026

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As management of the City of Andover, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 9 of this report.

Financial Highlights

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$254,205,041 (net position). Of this amount, \$65,038,427 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net position increased by \$14,245,111 from current year activity, primarily due to the budget savings, an increase in commercial/residential construction fees and capital contributions from construction activity.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$68,760,061.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Nonspendable	\$ 285,697	\$ 22,403	\$ -	\$ 30,489	\$ 338,589
Restricted	-	533,138	5,214,187	6,389,785	12,137,110
Committed	-	856,617	-	-	856,617
Assigned	-	1,341,453	-	40,035,537	41,376,990
Unassigned	<u>14,050,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,050,755</u>
	<u>\$ 14,336,452</u>	<u>\$ 2,753,611</u>	<u>\$ 5,214,187</u>	<u>\$ 46,455,811</u>	<u>\$ 68,760,061</u>

The City's total long-term liabilities decreased by \$3,257,854 during the current fiscal year, primarily due to the decrease in bonds payable.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bonds payable	\$ 45,998,267	\$ -	\$ (3,051,156)	\$ 42,947,111
Other post employment benefits	466,175	-	(24,910)	441,265
Compensated absences	986,404	101,777	-	1,088,181
Net pension liability	<u>2,230,975</u>	<u>-</u>	<u>(252,152)</u>	<u>1,978,823</u>
Total governmental activities	<u>49,681,821</u>	<u>101,777</u>	<u>(3,328,218)</u>	<u>46,455,380</u>
Business-type activities:				
Other post employment benefits	75,889	-	(4,055)	71,834
Compensated absences	182,234	851	-	183,085
Net pension liability	<u>288,379</u>	<u>-</u>	<u>(28,209)</u>	<u>260,170</u>
Total business-type activities	<u>546,502</u>	<u>851</u>	<u>(32,264)</u>	<u>515,089</u>
Total City long-term liabilities	<u>\$ 50,228,323</u>	<u>\$ 102,628</u>	<u>\$ (3,360,482)</u>	<u>\$ 46,970,469</u>

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, sanitation, parks and recreation, recycling and economic development. The business-type activities of the City include water, sewer and storm sewer.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the following major funds: General Fund, Community Center Special Revenue Fund (SRF) and the following capital projects funds (CPF): Water Trunk, Sewer Trunk, Road and Bridge, Tax Increment Projects and 2024A G.O. Street Reconstruction Bonds.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Statements 3 through 5 of this report.

Proprietary funds. When the City charges customers for the services it provided – whether to outside customers or to other departments of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of revenues, expenses and changes in net position.

The enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its water, sanitary sewer and storm sewer operations.

Internal service funds are used to report activities that provide supplies and services for the City's other departments, such as the equipment maintenance and insurance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on Statements 6 through 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements directly follow the Basic Financial Statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on budgetary comparisons, the modified approach for streets and trails infrastructure and pension information. Combining and individual fund statements and schedules can be found on Statements 17 through 34 of this report.

Government-wide Financial Analysis

As noted earlier, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$254,205,041 (net position).

The largest portion of the City's net position (\$181,438,491 or 71.4 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. It does not include any refunding debt that has not met the refunding date of the original issue. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ANDOVER'S NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2024	2025	2024	2025	2024	2025
Current and other assets	\$ 76,954,024	\$ 81,681,415	\$ 15,258,778	\$ 17,040,122	\$ 92,212,802	\$ 98,721,537
Capital assets	154,579,142	159,428,802	51,927,057	52,878,790	206,506,199	212,307,592
Total assets	231,533,166	241,110,217	67,185,835	69,918,912	298,719,001	311,029,129
Deferred outflows of resources	990,984	864,285	79,777	83,080	1,070,761	947,365
Long-term liabilities						
outstanding	49,681,821	46,455,380	546,502	515,089	50,228,323	46,970,469
Other liabilities	2,252,119	3,384,454	39,815	68,314	2,291,934	3,452,768
Total liabilities	51,933,940	49,839,834	586,317	583,403	52,520,257	50,423,237
Deferred inflows of resources	7,116,612	6,365,189	192,963	983,027	7,309,575	7,348,216
Net position:						
Net investment in capital						
assets	122,898,831	128,559,801	51,927,057	52,878,790	174,825,888	181,438,591
Restricted	6,506,432	7,728,023	-	-	6,506,432	7,728,023
Unrestricted	44,068,335	49,481,655	14,559,275	15,556,772	58,627,610	65,038,427
Total net position	\$ 173,473,598	\$ 185,769,479	\$ 66,486,332	\$ 68,435,562	\$ 239,959,930	\$ 254,205,041

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$65,038,427) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025

Governmental Activities

Governmental activities increased the City's net position by \$12,295,881 and business-type activities increased net position by \$1,949,230. In 2025, property tax revenue increased due to a 12.75 percent tax levy increase (\$2,264,591). Other increases in capital grants and contributions are largely due to when developments are completed and those developer-funded assets are recorded.

Business- Type Activities

Business-type activities increased the City's net position by \$1,949,230 are largely due to infrastructure funded by governmental activities and developer-funded improvements.

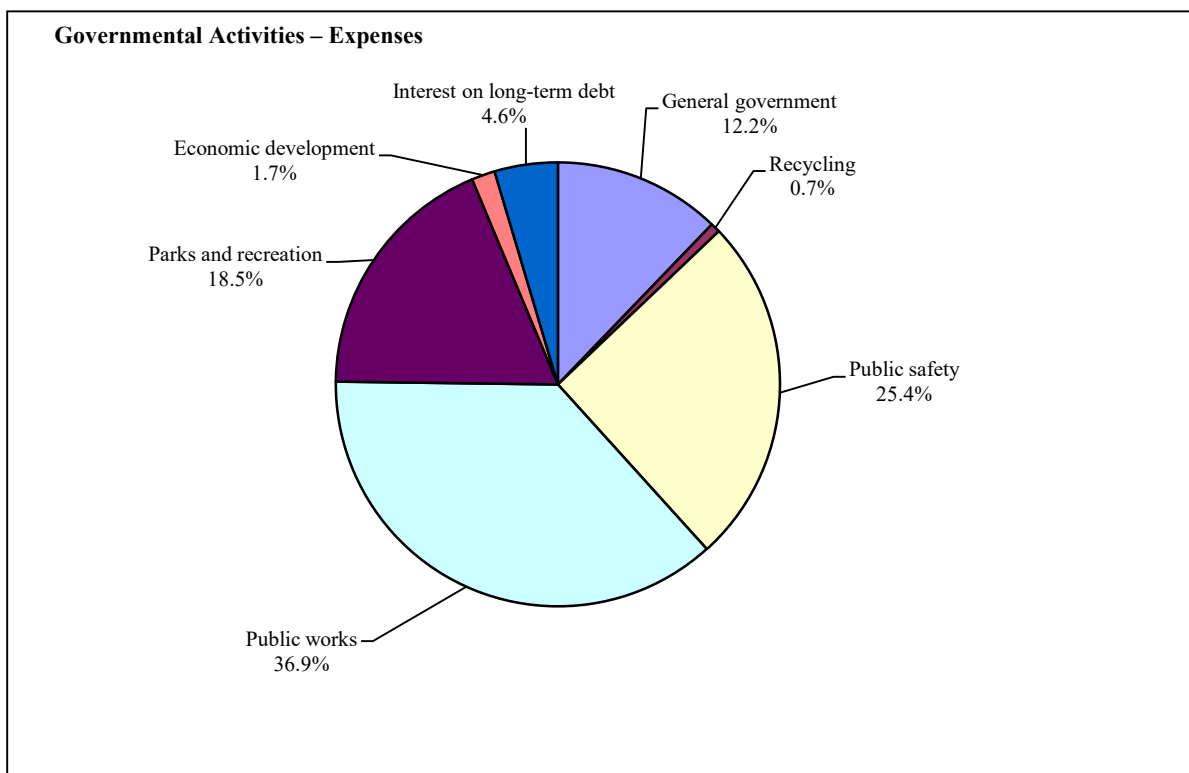
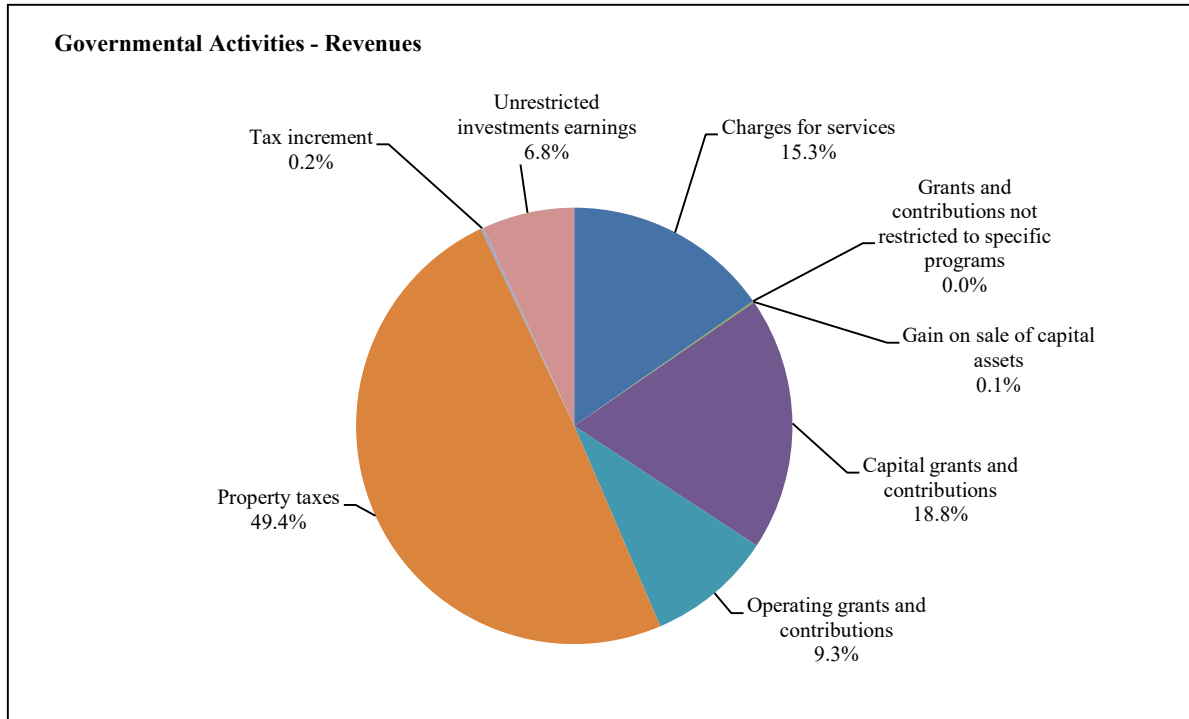
Key elements of the activities are as follows:

City of Andover's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues:						
Program revenues:						
Charges for services	\$ 5,156,041	\$ 6,284,122	\$ 7,343,455	\$ 7,645,659	\$ 12,499,496	\$ 13,929,781
Operating grants and contributions	6,325,585	3,826,466	-	-	6,325,585	3,826,466
Capital grants and contributions	7,494,570	7,716,885	998,086	1,818,199	8,492,656	9,535,084
General revenues:						
Property taxes	18,047,296	20,311,887	-	-	18,047,296	20,311,887
Tax increment	155,822	101,037	-	-	155,822	101,037
Grants and contributions not restricted to specific programs	4,662	4,825	-	-	4,662	4,825
Unrestricted investments earnings	2,543,897	2,812,385	512,103	520,264	3,056,000	3,332,649
Gain on sale of capital assets	25,059	40,791	3,266	3,249	28,325	44,040
Total revenues	39,752,932	41,098,398	8,856,910	9,987,371	48,609,842	51,085,769
Expenses:						
General government	3,818,742	3,613,802	-	-	3,818,742	3,613,802
Public safety	6,841,933	7,523,362	-	-	6,841,933	7,523,362
Public works	11,477,093	10,917,557	-	-	11,477,093	10,917,557
Parks and recreation	5,647,345	5,474,673	-	-	5,647,345	5,474,673
Recycling	192,033	204,543	-	-	192,033	204,543
Economic development	865,810	499,744	-	-	865,810	499,744
Interest on long-term debt	1,044,892	1,372,176	-	-	1,044,892	1,372,176
Water	-	-	3,413,519	3,181,460	3,413,519	3,181,460
Sewer	-	-	3,067,994	3,191,984	3,067,994	3,191,984
Storm sewer	-	-	764,334	861,357	764,334	861,357
Total expenses	29,887,848	29,605,857	7,245,847	7,234,801	37,133,695	36,840,658
Increase (decrease) in net position before transfers	9,865,084	11,492,541	1,611,063	2,752,570	11,476,147	14,245,111
Transfers	(4,754,290)	803,340	4,754,290	(803,340)	-	-
Change in net position	5,110,794	12,295,881	6,365,353	1,949,230	11,476,147	14,245,111
Net position - beginning	168,362,804	173,473,598	60,120,979	66,486,332	228,483,783	239,959,930
Net position - ending	\$ 173,473,598	\$ 185,769,479	\$ 66,486,332	\$ 68,435,562	\$ 239,959,930	\$ 254,205,041

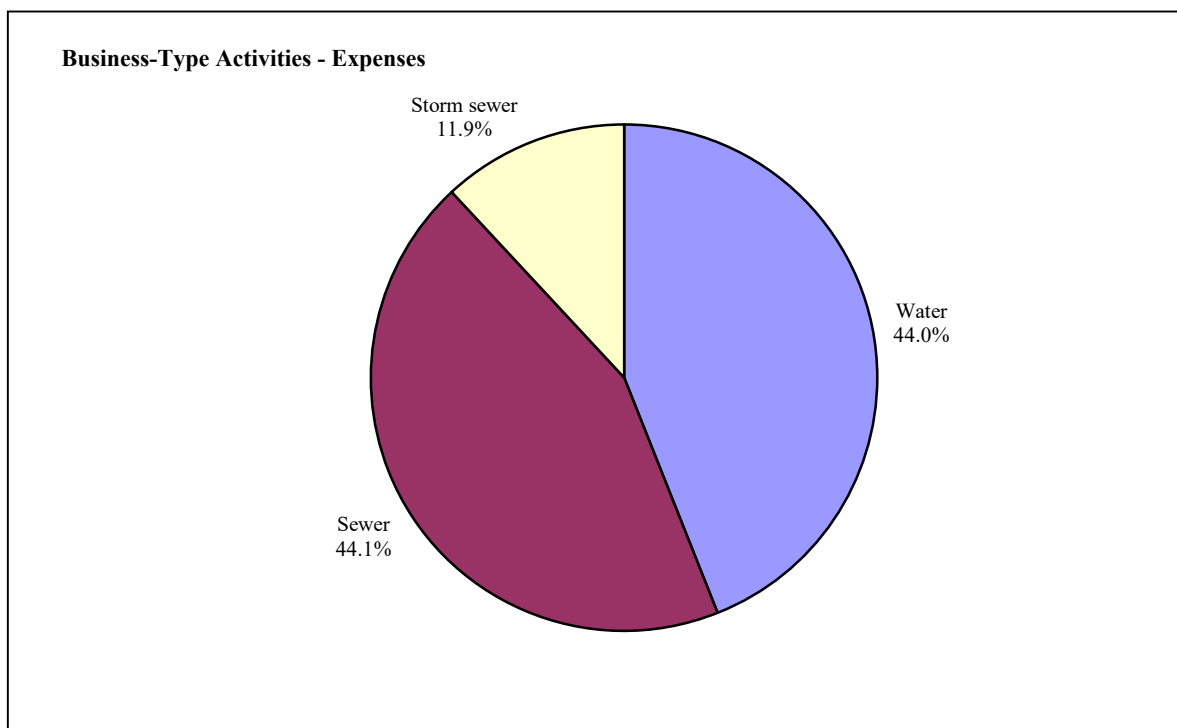
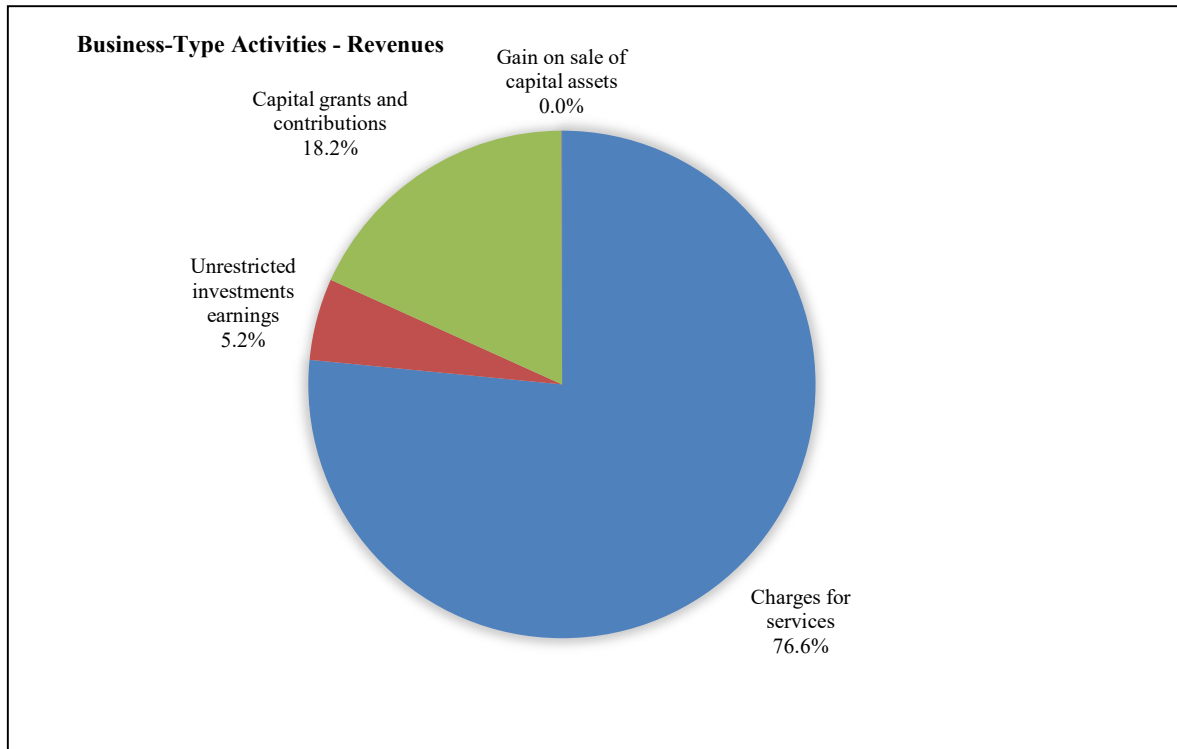
Governmental Activities

Following are specific graphs that provide comparisons of the governmental activities revenues and expenses:



Business-Type Activities

Following are graphs showing the business-type activities revenue and expense comparisons:



Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$68,760,061. Approximately 20.4 percent of this total amount (\$14,050,755) constitutes unassigned fund balance. The remainder of the fund balance (\$54,709,306) is not available for new spending because it is either 1) nonspendable (\$338,589), 2) restricted (\$12,137,110), 3) committed (\$856,617) or 4) assigned (\$41,376,990).

Major Funds

The general fund increased by \$1,120,377 in 2025, which was a \$2,551,737 change from the final budget. The final budget showed a decrease in fund balance of \$1,431,360. The change in fund balance is due to various departments under-spending and revenues exceeding budgets related to residential and commercial construction activity. The City Council also approved a five percent increase in the general fund levy for 2025. The major change compared to the adopted budget is largely due to the one-time transfer of \$1,000,000 to:

- Economic Development Authority Special Revenue Fund: The Economic Development Authority (EDA) Special Revenue Fund (SRF) faces a funding shortfall and will eventually require a tax levy. A \$250,000 transfer would allow the City Council to implement an EDA operating levy gradually, potentially beginning in 2028.
- Kelsey Round Lake Park Trail Reconstruction: This is a DNR Matching Grant Project, estimated at \$500,000 in the 2026 Capital Improvement Plan (CIP). The approved CIP designated the General Fund as the source for the city's portion. Transferring the city's \$250,000 share to the Capital Equipment Reserve Capital Projects Fund would fully fund this one-time project.
- Natural Disaster Reserve: Increase the natural disaster reserve from its current balance of \$350,000 to \$500,000, a difference of \$150,000 located in the Capital Equipment Reserve Capital Projects Fund.
- Advanced Replacement of a Plow Truck: The city's fleet of five Sterling plow trucks, manufactured between 2000 and 2007, is increasingly difficult and expensive to maintain due to the discontinuation of the Sterling brand in 2009. The estimated cost to replace a single truck is \$350,000 purchased through the Capital Equipment Reserve Capital Projects Fund.

The community center SRF decreased by \$561,225 primarily due to the partial roof replacement on the original structure in the amount of \$987,508.

The water and sewer trunk CPF's fluctuate based on development activity and whether there is any cost sharing for pipe over-sizing, extra depth, etc. The addition of the following developments has increased connection fees: Fields of Winslow Cove 4th addition, Lakeview at Sloth Farms Addition, and Andover Crossings senior complex. The water trunk fund (\$300,000) and sewer trunk fund (\$400,000) continue to receive funds from the water and sewer enterprise funds to be set aside for future infrastructure replacements.

The 2024A G.O. street reconstruction bonds CPF decreased by \$3,241,113 as those bond proceeds are utilized on street reconstruction projects.

Nonmajor Funds

The debt service funds for the 2024A G.O. street reconstruction bonds and equipment certificates increased by \$796,802 and \$418,569, respectively. This growth was driven by the timing of tax revenue collections relative to scheduled debt service payments.

The park dedication CPF increased by \$1,137,770 as park dedication fees are collected when developments are started. The Andover Crossings senior complex accounted for the majority of the park dedication fees collected in 2025.

The trail and transportation CPF increased by \$238,543 as trail fees are collected when developments are started. The Andover Crossings senior complex accounted for the majority of the trail fees collected in 2025.

The Capital Equipment Reserve Fund increased by \$971,429. This was driven primarily by a one-time \$750,000 transfer to fund three key initiatives: a park trail reconstruction (\$250,000), an allocation to the natural disaster reserve (\$150,000), and the accelerated purchase of a plow truck (\$350,000).

The 2024A G.O. equipment certificates capital projects fund decreased by \$1,295,097 due to the purchase of equipment funded by bonds proceeds.

The permanent improvement revolving CPF decreased by \$132,791 due to the transfer of \$150,000 to the 2021A G.O street reconstruction bonds DSF for future debt service payments.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are enterprise funds of \$15,400,420 (water \$9,415,487, sewer \$3,904,961 and storm sewer \$2,079,972) and internal service funds of \$1,870,180. The enterprise funds had a net increase in net position from current year activity of \$1,913,806 (water \$1,116,857, sewer (\$45,489) and storm sewer \$842,438). Internal service funds had a net increase in net position of \$322,921. Net position changes in the enterprise funds are primarily due from capital contributions from developers.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounts to \$212,307,592 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program, which includes streets and trails. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (a) an up-to-date inventory; (b) perform condition assessments and summarize the results using a measurement scale; and (c) estimate annual amount to maintain and preserve at the established condition assessment level.
- 2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The continuous scale was from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The City's policy is to achieve an average rating of good which is 6 – 6.9 for all streets and trails. In the fall of 2024, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be completed every three years. As of December 31, 2025, the City's street and trail system was rated at an Overall Condition Index (OCI) of 6.6.

CITY OF ANDOVER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025

The City's streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, pavement coating, full depth reclamation and overlaying. The City expended \$10,889,709 on street and trail maintenance for the year ending December 31, 2025. These expenditures delayed deterioration and the overall condition of the system remains at an appropriate OCI level through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's street and trail system at the average OCI rating of good is approximately \$3,200,000.

<u>Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>OCI Rating</u>
2016	\$1,150,000	\$ 1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3
2020	1,150,000	2,667,008	5.4
2021	2,500,000	2,160,714	5.9
2022	2,750,000	4,159,982	6.0
2023	3,000,000	7,830,116	6.4
2024	3,100,000	7,639,501	6.5
2025	3,200,000	10,889,709	6.6

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and improvements	\$ 11,331,522	\$ -	\$ -	\$ 11,331,522
Streets and trails	95,002,767	1,715,862	-	96,718,629
Construction in progress	694,318	3,151,015	(363,222)	3,482,111
Buildings and improvements	63,623,011	1,545,526	(21,743)	65,146,794
Furniture and equipment	1,602,819	64,096	(105,584)	1,561,331
Machinery and equipment	11,276,859	1,573,267	(434,444)	12,415,682
Other park improvements	10,115,082	468,692	(63,885)	10,519,889
Total capital assets	193,646,378	8,518,458	(988,878)	201,175,958
Less accumulated depreciation for:				
Buildings and improvements	24,077,921	2,168,643	(21,743)	26,224,821
Furniture and equipment	952,636	123,913	(103,494)	973,055
Machinery and equipment	8,124,116	619,486	(426,738)	8,316,864
Other park improvements	5,912,563	383,738	(63,885)	6,232,416
Total accumulated depreciation	39,067,236	3,295,780	(615,860)	41,747,156
Governmental activities capital assets - net	154,579,142	5,222,678	(373,018)	159,428,802
Business-type activities:				
Land and improvements	730,243	-	-	730,243
Construction in progress	257,031	-	(257,031)	-
Buildings and improvements	16,183,190	1,108,147	-	17,291,337
Furniture and equipment	1,305,285	21,886	(9,956)	1,317,215
Machinery and equipment	1,880,155	467,645	(29,034)	2,318,766
Collection and distribution	78,188,269	1,818,199	-	80,006,468
Total capital assets being depreciated	98,544,173	3,415,877	(296,021)	101,664,029
Less accumulated depreciation for:				
Buildings and improvements	12,385,830	444,730	-	12,830,560
Furniture and equipment	231,141	91,323	(9,956)	312,508
Machinery and equipment	1,236,382	147,198	(29,034)	1,354,546
Collection and distribution	32,763,763	1,523,862	-	34,287,625
Total accumulated depreciation	46,617,116	2,207,113	(38,990)	48,785,239
Business-type activities capital assets - net	51,927,057	1,208,764	(257,031)	52,878,790
Total capital assets - net	\$ 206,506,199	\$ 6,431,442	\$ (630,049)	\$ 212,307,592

Additional information on the City's capital assets can be found in Note 6.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$44,218,377, a decrease of \$2,948,528 from 2024. General obligation abatement bonds (\$19,845,000) were used to refund the 2006 and 2007 EDA lease revenue refunding bonds and expand the existing community center. Certificates of indebtedness (\$1,320,000) financed capital equipment purchases. Capital improvement bonds (\$8,755,000) were used to construct a new vehicle maintenance facility with a washbay and a cold storage building. Street reconstruction bonds (\$12,025,000) were used to reconstruct roadways in the City.

Additional long-term debt in the amount of \$1,002,111 for issuance premiums and \$1,271,266 is for compensated absences.

City of Andover's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
Bonds payable:			
Abatement bonds	\$ 19,845,000	\$ -	\$ 19,845,000
Certificates of indebtedness	1,320,000	-	1,320,000
Capital improvement bonds	8,755,000	-	8,755,000
Street reconstruction bonds	12,025,000	-	12,025,000
Total bonds payable	41,945,000	-	41,945,000
Issuance premiums	1,002,111	-	1,002,111
Compensated absences	1,088,181	183,085	1,271,266
Total	<u>\$ 44,035,292</u>	<u>\$ 183,085</u>	<u>\$ 44,218,377</u>

The City maintains an AA+ rating with a stable outlook from Standard and Poor's.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Taxable Market Value. The current debt limitation for the City is \$158,204,622. Only \$36,795,174 of the City's outstanding debt is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Notes 7 and 8.

Requests for information. This financial report is designed to provide a general overview of the City of Andover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Andover, Attn: Finance Manager, 1685 Crosstown Boulevard NW, Andover, Minnesota 55304 or by calling 763-755-5100.

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CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2025
With Comparative Totals For December 31, 2024

Statement 1

	Primary Government		Totals	
	Government	Business-Type	2025	2024
	Activities	Activities		
Assets:				
Cash and investments	\$ 71,287,323	\$ 13,827,359	\$ 85,114,682	\$ 79,759,544
Accrued interest	642,280	109,562	751,842	648,550
Due from other governmental units	126,081	12,078	138,159	132,207
Accounts receivable - net	225,531	1,778,291	2,003,822	1,940,728
Prepaid items	516,833	151,863	668,696	295,195
Property taxes receivable:				
Unremitted	156,576	-	156,576	177,104
Delinquent	156,196	-	156,196	125,756
Special assessments receivable:				
Unremitted	4,855	3,628	8,483	12,571
Delinquent	22,939	321,857	344,796	350,971
Deferred	2,502,874	-	2,502,874	2,229,458
Lease receivable	4,729,530	817,601	5,547,131	5,154,046
Inventories - at cost	305,397	17,883	323,280	381,672
Land held for resale	1,005,000	-	1,005,000	1,005,000
Capital assets - net:				
Nondepreciable	111,532,262	730,243	112,262,505	108,015,881
Depreciable	47,896,540	52,148,547	100,045,087	98,490,318
Total assets	241,110,217	69,918,912	311,029,129	298,719,001
Deferred outflows of resources:				
Related to other post employment benefits	45,177	6,487	51,664	45,934
Related to pensions	819,108	76,593	895,701	1,024,827
Total deferred outflows of resources	864,285	83,080	947,365	1,070,761
Liabilities:				
Internal balances	156,352	(156,352)	-	-
Accounts payable	511,947	120,101	632,048	511,736
Contracts payable	206,480	7,274	213,754	161,382
Deposits payable	1,333,117	2,500	1,335,617	590,665
Due to other governmental units	57,543	44,599	102,142	83,401
Salaries payable	351,213	50,192	401,405	341,358
Unearned revenue	174,335	-	174,335	140,149
Accrued interest payable	593,467	-	593,467	463,243
Other post employment benefits:				
Due in more than one year	441,265	71,834	513,099	542,064
Compensated absences:				
Due within one year	163,227	27,462	190,689	175,297
Due in more than one year	924,954	155,623	1,080,577	993,341
Bonds/notes payable (net of unamortized premiums):				
Due within one year	4,005,000	-	4,005,000	2,980,000
Due in more than one year	38,942,111	-	38,942,111	43,018,267
Net pension liability:				
Due in more than one year	1,978,823	260,170	2,238,993	2,519,354
Total liabilities	49,839,834	583,403	50,423,237	52,520,257
Deferred inflows of resources:				
Related to leases	4,729,530	817,601	5,547,131	5,154,046
Related to pensions	1,635,659	165,426	1,801,085	2,155,529
Total deferred inflows of resources	6,365,189	983,027	7,348,216	7,309,575
Net position:				
Net investment in capital assets	128,559,801	52,878,790	181,438,591	174,825,888
Restricted for:				
Debt service	4,654,917	-	4,654,917	3,262,912
Tax increment purposes	1,198,367	-	1,198,367	1,322,185
Public services	1,874,739	-	1,874,739	1,921,335
Unrestricted	49,481,655	15,556,772	65,038,427	58,627,610
Total net position	\$ 185,769,479	\$ 68,435,562	\$ 254,205,041	\$ 239,959,930

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$ 3,610,502	\$ 1,638,254	\$ -	\$ -
Public safety	7,523,362	1,383,431	679,410	-
Public works	10,911,941	748,382	2,769,657	6,257,636
Parks and recreation	5,483,589	2,422,509	122,294	1,459,249
Recycling	204,543	30,616	-	-
Economic development	499,744	60,930	255,105	-
Interest on long-term debt	1,372,176	-	-	-
Total government activities	29,605,857	6,284,122	3,826,466	7,716,885
Business-type activities:				
Water	3,181,460	3,949,845	-	382,417
Sewer	3,191,984	2,942,253	-	528,007
Storm sewer	861,357	753,561	-	907,775
Total business-type activities	7,234,801	7,645,659	-	1,818,199
Total primary government	\$ 36,840,658	\$ 13,929,781	\$ 3,826,466	\$ 9,535,084

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government				
Governmental Activities	Business-Type Activities	Totals		
		2025	2024	
\$ (1,972,248)	\$ -	\$ (1,972,248)	\$ (2,349,277)	
(5,460,521)	-	(5,460,521)	(5,099,228)	
(1,136,266)	-	(1,136,266)	87,500	
(1,479,537)	-	(1,479,537)	(1,827,754)	
(173,927)	-	(173,927)	(28,105)	
(183,709)	-	(183,709)	(649,896)	
(1,372,176)	-	(1,372,176)	(1,044,892)	
(11,778,384)	-	(11,778,384)	(10,911,652)	
-	1,150,802	1,150,802	521,011	
-	278,276	278,276	(40,421)	
-	799,979	799,979	615,104	
-	2,229,057	2,229,057	1,095,694	
(11,778,384)	2,229,057	(9,549,327)	(9,815,958)	
General revenues:				
General property taxes	20,311,887	-	20,311,887	18,047,296
Tax increment collections	101,037	-	101,037	155,822
Grants and contributions not restricted to specific programs	4,825	-	4,825	4,662
Unrestricted investment earnings	2,812,385	520,264	3,332,649	3,056,000
Gain on sale of capital assets	40,791	3,249	44,040	28,325
Transfers	803,340	(803,340)	-	-
Total general revenues, gain on sale of capital assets and transfers	24,074,265	(279,827)	23,794,438	21,292,105
Change in net position	12,295,881	1,949,230	14,245,111	11,476,147
Net position - beginning	173,473,598	66,486,332	239,959,930	228,483,783
Net position - ending	\$ 185,769,479	\$ 68,435,562	\$ 254,205,041	\$ 239,959,930

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

	General	Community Center SRF	Water Trunk CPF	Sewer Trunk CPF
Assets:				
Cash and investments	\$ 15,520,491	\$ 1,291,575	\$ 9,573,589	\$ 9,476,333
Accrued interest	97,237	104,520	84,300	83,932
Due from other governmental units	68,416	-	57,665	-
Accounts receivable - net	84,235	118,735	-	-
Prepaid items	128,589	22,403	-	-
Property taxes receivable:				
Unremitted	93,237	1,188	-	-
Delinquent	95,194	1,214	-	-
Special assessments receivable:				
Unremitted	116	-	-	-
Delinquent	16,427	-	-	-
Deferred	-	-	188,077	-
Lease receivable	84,530	4,645,000	-	-
Inventories - at cost	157,108	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 16,345,580	\$ 6,184,635	\$ 9,903,631	\$ 9,560,265
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 270,796	\$ 90,900	\$ 45,666	\$ 17,544
Contracts payable	2,151	-	-	-
Deposits payable	1,204,202	87,711	5,741	5,741
Due to other governmental units	43,892	7,416	-	-
Salaries payable	291,936	39,601	-	-
Unearned revenue	-	-	-	-
Total liabilities	1,812,977	225,628	51,407	23,285
Deferred inflows of resources:				
Related to leases	84,530	4,645,000	-	-
Unavailable revenues	111,621	1,214	188,077	-
Total deferred inflows of resources	196,151	4,646,214	188,077	-
Fund balance:				
Nonspendable	285,697	22,403	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	1,290,390	9,664,147	9,536,980
Unassigned	14,050,755	-	-	-
Total fund balance	14,336,452	1,312,793	9,664,147	9,536,980
Total liabilities, deferred inflows of resources, and fund balance	\$ 16,345,580	\$ 6,184,635	\$ 9,903,631	\$ 9,560,265

Fund balance reported above

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Deferred outflows of resources - related other post employment benefits and pensions are not current financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. The assets and liabilities are included in the governmental activities statement of net position along with a deduction of net revenue attributable to business-type activities.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred inflows of resources - pension related are associated with long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

Statement 3

Road & Bridge CPF	Tax Increment Projects CPF	2024A G.O Street Reconstruction Bonds CPF	Other Governmental Funds	Totals	
				Governmental Funds	
				2025	2024
\$ 11,370,040	\$ 209,628	\$ 4,683,389	\$ 17,741,655	\$ 69,866,700	\$ 65,504,714
79,739	1,824	44,546	131,590	627,688	541,839
-	-	-	-	126,081	114,073
-	-	-	22,561	225,531	197,255
-	-	-	30,489	181,481	59,355
19,283	-	-	42,868	156,576	177,104
19,711	-	-	40,077	156,196	125,756
4,739	-	-	-	4,855	10,421
6,512	-	-	-	22,939	18,388
2,218,294	-	-	96,503	2,502,874	2,229,458
-	-	-	-	4,729,530	5,154,046
-	-	-	-	157,108	205,938
-	1,005,000	-	-	1,005,000	1,005,000
<u>\$ 13,718,318</u>	<u>\$ 1,216,452</u>	<u>\$ 4,727,935</u>	<u>\$ 18,105,743</u>	<u>\$ 79,762,559</u>	<u>\$ 75,343,347</u>
\$ 44,108	\$ 2,785	\$ 977	\$ 8,724	\$ 481,500	\$ 408,566
135,532	15,200	-	53,597	206,480	148,012
2,000	-	-	27,722	1,333,117	587,915
5,755	100	-	46	57,209	39,148
-	-	-	1,781	333,318	280,740
-	-	-	174,335	174,335	140,149
<u>187,395</u>	<u>18,085</u>	<u>977</u>	<u>266,205</u>	<u>2,585,959</u>	<u>1,604,530</u>
-	-	-	-	4,729,530	5,154,046
<u>2,244,517</u>	<u>1,005,000</u>	<u>-</u>	<u>136,580</u>	<u>3,687,009</u>	<u>3,378,602</u>
<u>2,244,517</u>	<u>1,005,000</u>	<u>-</u>	<u>136,580</u>	<u>8,416,539</u>	<u>8,532,648</u>
-	-	-	30,489	338,589	265,293
-	193,367	4,726,958	7,216,785	12,137,110	15,330,469
-	-	-	856,617	856,617	610,953
11,286,406	-	-	9,599,067	41,376,990	36,027,337
-	-	-	-	14,050,755	12,972,117
<u>11,286,406</u>	<u>193,367</u>	<u>4,726,958</u>	<u>17,702,958</u>	<u>68,760,061</u>	<u>65,206,169</u>
<u>\$ 13,718,318</u>	<u>\$ 1,216,452</u>	<u>\$ 4,727,935</u>	<u>\$ 18,105,743</u>	<u>\$ 79,762,559</u>	<u>\$ 75,343,347</u>
				\$ 68,760,061	\$ 65,206,169
				159,428,802	154,579,142
				864,285	990,984
				3,687,009	3,378,602
				1,713,828	1,426,331
				(47,048,847)	(50,145,064)
				<u>(1,635,659)</u>	<u>(1,962,566)</u>
				<u>\$ 185,769,479</u>	<u>\$ 173,473,598</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

	General	Community Center SRF	Water Trunk CPF	Sewer Trunk CPF
Revenues:				
General property taxes	\$ 12,071,069	\$ 153,918	\$ -	\$ -
Tax increment collections	-	-	-	-
Licenses and permits	1,120,745	-	-	-
Intergovernmental	1,108,001	-	71,152	-
Special assessments	-	-	6,158	-
Charges for services	1,708,248	1,501,683	-	-
Fines	72,959	-	-	-
Investment income	483,518	67,430	396,075	397,298
Miscellaneous:				
Park dedication fees	-	-	-	-
Connection charges	-	-	1,761,809	194,294
Rent	-	637,412	-	-
Other	295,553	266,921	-	-
Total revenues	16,860,093	2,627,364	2,235,194	591,592
Expenditures:				
Current:				
General government	3,545,561	-	-	-
Public safety	7,108,916	-	-	-
Public works	2,267,549	-	150,816	21,274
Parks and recreation	1,584,801	1,900,671	-	-
Recycling	204,704	-	-	-
Economic development	-	-	-	-
Unallocated	1,248	-	-	-
Capital outlay	204,117	987,918	20,865	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Paying agent fees	-	-	-	-
Professional services	-	-	-	-
Construction/acquisition costs	-	-	-	90,566
Total expenditures	14,916,896	2,888,589	171,681	111,840
Revenues over (under) expenditures	1,943,197	(261,225)	2,063,513	479,752
Other financing sources (uses):				
Transfers in	177,180	-	300,000	400,000
Transfers out	(1,000,000)	(300,000)	(59,174)	-
Bonds issued	-	-	-	-
Bond premium	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	(822,820)	(300,000)	240,826	400,000
Net increase (decrease) in fund balance	1,120,377	(561,225)	2,304,339	879,752
Fund balance - January 1	13,216,075	1,874,018	7,359,808	8,657,228
Fund balance - December 31	\$ 14,336,452	\$ 1,312,793	\$ 9,664,147	\$ 9,536,980

The accompanying notes are an integral part of these financial statements.

Statement 4

Road & Bridge CPF	Tax Increment Projects CPF	2024A G.O Street Reconstruction Bonds CPF	Other Governmental Funds	Intra Activity Eliminations	Totals	
					Governmental Funds	
					2025	2024
\$ 2,499,617	\$ -	\$ -	\$ 5,556,843	\$ -	\$ 20,281,447	\$ 18,018,721
-	101,037	-	-	-	101,037	155,822
-	-	-	-	-	1,120,745	873,585
3,556,766	-	-	255,105	-	4,991,024	9,144,214
1,139,173	-	-	3,526	-	1,148,857	1,087,685
-	-	-	95,534	-	3,305,465	2,976,252
-	-	-	-	-	72,959	81,143
419,186	9,597	346,878	627,183	-	2,747,165	2,490,149
-	-	-	1,459,249	-	1,459,249	605,701
-	-	-	-	-	1,956,103	990,980
-	-	-	-	-	637,412	642,619
65,915	50,826	-	498,926	(30,600)	1,147,541	916,364
7,680,657	161,460	346,878	8,496,366	(30,600)	38,969,004	37,983,235
-	-	-	125,185	-	3,670,746	3,702,910
-	-	-	104,419	-	7,213,335	6,546,858
4,237,123	-	3,587,991	161,901	-	10,426,654	11,714,467
-	-	-	44,217	-	3,529,689	3,679,264
-	-	-	-	-	204,704	190,988
-	285,278	-	204,903	-	490,181	1,006,247
-	-	-	-	-	1,248	4,303
3,064,595	-	-	2,161,879	-	6,439,374	2,423,740
-	-	-	2,980,000	-	2,980,000	3,240,000
-	-	-	1,306,658	-	1,306,658	1,162,366
-	-	-	6,450	-	6,450	6,250
-	-	-	-	-	-	9,000
-	-	-	-	-	90,566	5,457,209
7,301,718	285,278	3,587,991	7,095,612	-	36,359,605	39,143,602
378,939	(123,818)	(3,241,113)	1,400,754	(30,600)	2,609,399	(1,160,367)
10,100	-	-	1,854,407	(1,788,607)	953,080	997,146
(200,000)	-	-	(319,207)	1,819,207	(59,174)	(294,227)
-	-	-	-	-	-	8,595,000
-	-	-	-	-	-	711,221
-	-	-	50,587	-	50,587	25,059
(189,900)	-	-	1,585,787	30,600	944,493	10,034,199
189,039	(123,818)	(3,241,113)	2,986,541	-	3,553,892	8,873,832
11,097,367	317,185	7,968,071	14,716,417	-	65,206,169	56,332,337
\$ 11,286,406	\$ 193,367	\$ 4,726,958	\$ 17,702,958	\$ -	\$ 68,760,061	\$ 65,206,169

The accompanying notes are an integral part of these financial statements.

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CITY OF ANDOVER, MINNESOTA
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 For The Year Ended December 31, 2025
Statement 5
 With Comparative Actual Amounts For The Year Ended December 31, 2024

	<u>2025</u>	<u>2024</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$ 3,553,892	\$ 8,873,832
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,234,160	4,705,729
The net effect of various miscellaneous transactions involving capital assets (i.e: sales, trade-ins, and donations) is to increase (decrease) net position.	1,706,066	1,521,591
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	308,407	208,069
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,051,156	(5,283,844)
Vested post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the benefits earned during the year. This amount is the net effect of employee benefits earned and paid during the year.	29,952	(11,297)
Transfer out of governmental capital assets contributed to Enterprise Funds.	(90,566)	(5,457,209)
Some expenses reported in the statement of activities do not require use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(232,001)	(20,096)
Governmental funds report pension contributions for defined benefit plans as expenditures, however, pension expense is reported in the Statement of Activities. This is the amount by which pension expense differs from pension contributions.	447,318	274,966
Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>287,497</u>	<u>299,053</u>
Change in net position of governmental activities (Statement 2)	<u><u>\$ 12,295,881</u></u>	<u><u>\$ 5,110,794</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

	Water	Sewer	Storm Sewer
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,869,773	\$ 3,097,824	\$ 1,859,762
Accrued interest	70,427	23,742	15,393
Due from other governmental units	-	12,078	-
Accounts receivable - net	724,034	815,893	238,364
Prepaid items	-	151,863	-
Lease receivable - current portion	9,704	-	-
Special assessments receivable:			
Unremitted	1,865	1,425	338
Delinquent	153,371	129,324	39,162
Inventories - at cost	17,883	-	-
Total current assets	<u>9,847,057</u>	<u>4,232,149</u>	<u>2,153,019</u>
Noncurrent assets:			
Lease receivable - noncurrent portion	807,897	-	-
Capital assets:			
Land	730,243	-	-
Buildings and structures	17,291,337	-	-
Machinery and equipment	1,688,990	1,126,147	820,844
Distribution and collection system	28,697,561	34,002,715	17,306,192
Construction in progress	-	-	-
Total capital assets	<u>48,408,131</u>	<u>35,128,862</u>	<u>18,127,036</u>
Less: Allowance for depreciation	<u>(24,042,174)</u>	<u>(17,217,250)</u>	<u>(7,525,815)</u>
Net capital assets	<u>24,365,957</u>	<u>17,911,612</u>	<u>10,601,221</u>
Total noncurrent assets	<u>25,173,854</u>	<u>17,911,612</u>	<u>10,601,221</u>
Total assets	<u>35,020,911</u>	<u>22,143,761</u>	<u>12,754,240</u>
Deferred outflows of resources:			
Related to other post employment benefits	3,280	3,207	-
Related to pensions	51,709	24,884	-
Total deferred outflows of resources	<u>54,989</u>	<u>28,091</u>	<u>-</u>
Liabilities:			
Current liabilities:			
Accounts payable	50,918	56,695	12,488
Contracts payable	1,974	2,210	3,090
Deposits payable	2,500	-	-
Due to other governmental units	34,712	9,887	-
Salaries payable	21,878	20,307	8,007
Compensated absences payable - due within one year	9,780	10,263	7,419
Total current liabilities	<u>121,762</u>	<u>99,362</u>	<u>31,004</u>
Noncurrent liabilities:			
Other post employment benefits - due in more than one year	41,048	30,786	-
Compensated absences payable - due in more than one year	55,420	58,160	42,043
Net pension liability - due in more than one year	156,548	103,622	-
Total noncurrent liabilities	<u>253,016</u>	<u>192,568</u>	<u>42,043</u>
Total liabilities	<u>374,778</u>	<u>291,930</u>	<u>73,047</u>
Deferred inflows of resources:			
Related to pensions	102,077	63,349	-
Related to leases	817,601	-	-
Total deferred inflows of resources	<u>919,678</u>	<u>63,349</u>	<u>-</u>
Net position:			
Investment in capital assets	24,365,957	17,911,612	10,601,221
Unrestricted	9,415,487	3,904,961	2,079,972
Total net position	<u>\$ 33,781,444</u>	<u>\$ 21,816,573</u>	<u>\$ 12,681,193</u>

Net position reported above

Amounts reported for business-type activities in the statement of net position are different because internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.

Net position of business-type activities

The accompanying notes are an integral part of these financial statements.

Statement 6

Totals		Totals	
		Governmental Activities - Internal Service Funds	
2025	2024	2025	2024
\$ 13,827,359	\$ 13,030,183	\$ 1,420,623	\$ 1,224,647
109,562	95,591	14,592	11,120
12,078	18,134	-	-
1,778,291	1,743,473	-	-
151,863	-	335,352	235,840
9,704	-	-	-
3,628	2,150	-	-
321,857	332,583	-	-
17,883	36,664	148,289	139,070
16,232,225	15,258,778	1,918,856	1,610,677
807,897	-	-	-
730,243	730,243	-	-
17,291,337	16,183,190	-	-
3,635,981	3,185,440	-	-
80,006,468	78,188,269	-	-
-	257,031	-	-
101,664,029	98,544,173	-	-
(48,785,239)	(46,617,116)	-	-
52,878,790	51,927,057	-	-
53,686,687	51,927,057	-	-
69,918,912	67,185,835	1,918,856	1,610,677
6,487	5,799	-	-
76,593	73,978	-	-
83,080	79,777	-	-
120,101	54,734	30,447	48,436
7,274	13,370	-	-
2,500	2,750	-	-
44,599	44,153	334	100
50,192	45,736	17,895	14,882
27,462	27,336	-	-
252,128	188,079	48,676	63,418
71,834	75,889	-	-
155,623	154,898	-	-
260,170	288,379	-	-
487,627	519,166	-	-
739,755	707,245	48,676	63,418
165,426	192,963	-	-
817,601	-	-	-
983,027	192,963	-	-
52,878,790	51,927,057	-	-
15,400,420	14,438,347	1,870,180	1,547,259
\$ 68,279,210	\$ 66,365,404	\$ 1,870,180	\$ 1,547,259
\$ 68,279,210	\$ 66,365,404		
156,352	120,928		
\$ 68,435,562	\$ 66,486,332		

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

	Water	Sewer	Storm Sewer
Operating revenues:			
User charges	\$ 3,777,781	\$ 2,942,253	\$ 753,561
Meters	76,627	-	-
Other	95,437	-	-
Total operating revenues	3,949,845	2,942,253	753,561
Operating expenses:			
Personal services	671,905	419,419	283,266
Supplies	501,695	27,222	13,911
Other service charges	963,093	277,809	183,352
Disposal charges	-	1,752,040	-
Depreciation	1,074,682	738,345	394,086
Total operating expenses	3,211,375	3,214,835	874,615
Operating income (loss)	738,470	(272,582)	(121,054)
Nonoperating revenues (expenses):			
Investment income	337,859	108,822	73,583
Gain on sale of capital assets	3,249	-	-
Interest expense	-	-	-
Total nonoperating revenues (expenses)	341,108	108,822	73,583
Income (loss) before contributions and transfers	1,079,578	(163,760)	(47,471)
Capital contributions	382,417	618,573	907,775
Transfers:			
Transfers in	59,174	-	-
Transfers out	(404,312)	(500,302)	(17,866)
Total transfers	(345,138)	(500,302)	(17,866)
Change in net position	1,116,857	(45,489)	842,438
Net position - January 1	32,664,587	21,862,062	11,838,755
Net position - December 31	\$ 33,781,444	\$ 21,816,573	\$ 12,681,193

Net changes in net position reported above

Amounts reported for business-type activities in the statement of activities are different because internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to business-type activities.

Change in net position of business-type activities

The accompanying notes are an integral part of these financial statements.

Intra Activity Eliminations	Totals		Totals Governmental Activities - Internal Service Funds	
	2025	2024	2025	2024
\$ -	\$ 7,473,595	\$ 7,166,934	\$ 1,981,404	\$ 1,890,353
-	76,627	115,911	-	-
-	95,437	60,610	14,445	33,243
-	7,645,659	7,343,455	1,995,849	1,923,596
-	1,374,590	1,314,104	687,913	668,247
-	542,828	771,770	357,292	356,840
(30,600)	1,393,654	1,382,844	692,943	614,833
-	1,752,040	1,698,063	-	-
-	2,207,113	2,117,136	-	-
(30,600)	7,270,225	7,283,917	1,738,148	1,639,920
30,600	375,434	59,538	257,701	283,676
-	520,264	512,103	65,220	53,748
-	3,249	3,266	-	-
-	-	(301)	-	-
-	523,513	515,068	65,220	53,748
30,600	898,947	574,606	322,921	337,424
-	1,908,765	6,455,295	-	-
-	59,174	294,227	-	-
(30,600)	(953,080)	(997,146)	-	-
(30,600)	(893,906)	(702,919)	-	-
-	1,913,806	6,326,982	322,921	337,424
-	66,365,404	60,038,422	1,547,259	1,209,835
\$ -	\$ 68,279,210	\$ 66,365,404	\$ 1,870,180	\$ 1,547,259
	\$ 1,913,806	\$ 6,326,982		
	35,424	38,371		
	\$ 1,949,230	\$ 6,365,353		

The accompanying notes are an integral part of these financial statements.

CITY OF ANDOVER, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Water	Sewer	Storm Sewer
Cash flows from operating activities:			
Receipts from customers and users	\$ 3,983,315	\$ 2,899,477	\$ 743,353
Payment to suppliers	(1,451,743)	(2,154,248)	(186,746)
Payment to employees	(733,894)	(425,737)	(272,756)
Net cash flows from operating activities	1,797,678	319,492	283,851
Cash flows from noncapital financing activities:			
Transfers in	59,174	-	-
Transfers out	(404,312)	(500,302)	(17,866)
Net cash flows from noncapital financing activities	(345,138)	(500,302)	(17,866)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,035,927)	(107,076)	(107,078)
Interest paid on debt	-	-	-
Payment of bonds	-	-	-
Proceeds from the sale of capital assets	3,249	-	-
Net cash flows from capital and related financing activities	(1,032,678)	(107,076)	(107,078)
Cash flows from investing activities:			
Investment income	326,875	108,311	71,107
Net increase in cash and cash equivalents	746,737	(179,575)	230,014
Cash and cash equivalents - January 1	8,123,036	3,277,399	1,629,748
Cash and cash equivalents - December 31	\$ 8,869,773	\$ 3,097,824	\$ 1,859,762
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 738,470	\$ (272,582)	\$ (121,054)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	1,074,682	738,345	394,086
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Decrease (increase) in due from other governmental units	-	6,056	-
Decrease (increase) in accounts receivable	11,534	(38,668)	(7,684)
Decrease (increase) in prepaid items	-	(151,863)	-
Decrease (increase) in special assessments	21,936	(10,164)	(2,524)
Decrease (increase) in inventory	18,781	-	-
Decrease (increase) in deferred outflows of resources	(1,992)	(1,311)	-
Increase (decrease) in accounts payable	1,554	53,722	10,091
Increase (decrease) in contracts payable	(6,825)	303	426
Increase (decrease) in deposits payable	(250)	-	-
Increase (decrease) in due to other governmental units	(215)	661	-
Increase (decrease) in salaries payable	(3,364)	5,187	2,633
Increase (decrease) in other post employment benefits	(2,317)	(1,738)	-
Increase (decrease) in compensated absences	(17,964)	10,938	7,877
Increase (decrease) in net pension liability	(18,395)	(9,814)	-
Increase (decrease) in deferred inflows of resources	(17,957)	(9,580)	-
Total adjustments	1,059,208	592,074	404,905
Net cash provided (used) by operating activities	\$ 1,797,678	\$ 319,492	\$ 283,851
Noncash investing, capital and financing activities:			
Assets contributed to the Enterprise Funds	\$ 382,417	\$ 618,573	\$ 907,775

The accompanying notes are an integral part of these financial statements.

Statement 8

Totals		Totals	
		Governmental Activities - Internal Service Funds	
2025	2024	2025	2024
\$ 7,626,145	\$ 7,274,004	\$ 1,995,849	\$ 1,932,078
(3,792,737)	(3,817,243)	(1,176,721)	(932,798)
(1,432,387)	(1,307,707)	(684,900)	(665,523)
2,401,021	2,149,054	134,228	333,757
59,174	294,227	-	-
(922,480)	(966,546)	-	-
(863,306)	(672,319)	-	-
(1,250,081)	(508,118)	-	-
-	(1,806)	-	-
-	(85,000)	-	-
3,249	3,266	-	-
(1,246,832)	(591,658)	-	-
506,293	500,056	61,748	49,575
797,176	1,385,133	195,976	383,332
13,030,183	11,645,050	1,224,647	841,315
\$ 13,827,359	\$ 13,030,183	\$ 1,420,623	\$ 1,224,647
\$ 344,834	\$ 28,938	\$ 257,701	\$ 283,676
2,207,113	2,117,136	-	-
6,056	1,324	-	-
(34,818)	(15,823)	-	8,482
(151,863)	-	(99,512)	3,447
9,248	(54,952)	-	-
18,781	137,306	(9,219)	2,902
(3,303)	47,221	-	-
65,367	(54,666)	(17,989)	32,426
(6,096)	(10,101)	-	-
(250)	-	-	-
446	(6,505)	234	100
4,456	10,775	3,013	2,724
(4,055)	5,580	-	-
851	24,373	-	-
(28,209)	(126,558)	-	-
(27,537)	45,006	-	-
2,056,187	2,120,116	(123,473)	50,081
\$ 2,401,021	\$ 2,149,054	\$ 134,228	\$ 333,757
\$ 1,908,765	\$ 6,455,295	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Andover was incorporated in 1974 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five-member City council elected by voters of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the financial reporting entity as blended component units.

The Andover Economic Development Authority (EDA) is an entity legally separate from the City. However, for financial reporting purposes, the EDA is reported as if it were part of the City's operations because the members of the City Council serve as EDA Board Members and its purpose is to promote development within the City. The activity of the EDA is reported in the EDA General Special Revenue Fund. Separate financial statements are not prepared for the EDA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Community Center Special Revenue Fund (SRF)* is used to account for the operations of the Andover YMCA/Community Center, particularly the sports complex, ice arena, field house and concessions. The aquatic portion of the Community Center is under the operations of the YMCA. The primary revenue sources are charges for services and rent.

The *Water Trunk Capital Projects Fund (CPF)* is used to account for water access fees and trunk improvements as part of development. It is also used to reserve monies that will be needed for capital infrastructure replacements in the future.

The *Sewer Trunk CPF* is used to account for sewer access fees and sanitary sewer improvements.

The *Road and Bridge CPF* accounts for all road projects and the pavement management program, which includes annual seal coating, crack sealing and overlays for roads.

The *Tax Increment Projects CPF* is used to account for activities in TIF district 1-5 and all TIF land sales and expenditures to reach the goals of the TIF district plans.

The *2024A G.O. Street Reconstruction Bonds CPF* accounts for the bond proceeds issued to reconstruct roadways within the City.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the water service charges, which are used to finance the water system operating expenses.

The *Sewer Fund* accounts for the sewer service charges, which are used to finance the sanitary sewer system operating expenses.

The *Storm Sewer Fund* accounts for the storm sewer utility charges, which are used to finance the storm sewer operating expenses.

Additionally, the City reports the following fund type:

Internal Service Funds (ISF) are used to provide equipment maintenance and insurance to other departments of the City on a cost reimbursement basis.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGETS

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General and Special Revenue Funds. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE - BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action. Also, the City Council may authorize transfers of budgeted amounts between departments within any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The legal level of budgetary control is at the department level for the General Fund and at the fund level for the Special Revenue Funds. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Administrator or between departments by the City Council.
7. The City Council made supplemental budget appropriations throughout the year. Individual amendments were not material in relation to the original appropriations which were adjusted.

The following is a listing of Special Revenue Funds whose expenditures exceed budget appropriations:

	Final Budget	Actual	Over Budget
Special Revenue Funds:			
Local Affordable Housing Aid	\$100,000	\$148,620	\$48,620
Charitable Gambling	43,900	89,839	45,939

The expenditures over budget were funded by greater than anticipated revenues and/or available fund balance.

F. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the individual funds on the basis of applicable cash balance participation of each fund.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are stated at fair value, except for investments in external investment pools that meet GASB 79 requirements, are stated at amortized cost. Short-term investments, such as commercial paper and banker's acceptances, are reported at amortized cost.

For purposes of the Statement of Cash Flows of Proprietary Fund Types, cash equivalents are defined as short-term, highly liquid investments that are both:

- readily convertible to known amounts of cash, or
- so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

The City's policy considers cash equivalents to be those that meet the above criteria and have original maturities of three months or less.

G. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund loan receivables, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Property taxes and special assessments receivable have been reported net of estimated uncollectible accounts. (See Note 1 H and I). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

H. PROPERTY TAX REVENUE RECOGNITION

The City levies its property tax for the subsequent year during the month of December and it is certified to Anoka County. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on the following January 1. Anoka County is the collecting agency for the levy and remits the collections to the City three times a year. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits a list of taxes to be collected on each parcel of property to the County Treasurer in January of each year. The County Treasurer collects all taxes and is required to mail copies of all personal property tax statements by April 15, and copies of all real estate tax statements by April 15, of each year. Property owners are required to pay one-half of their real estate taxes due by May 15 and the balance by October 15.

If taxes due May 15 are not paid on time, a penalty of 3% is assessed on homesteaded property and 7% on non-homesteaded property. An additional 1% penalty is added each month the taxes remain unpaid, until October 15. If the taxes due May 15 are not paid by October 15, a 2% penalty per month is added to homesteaded property and 4% per month to non-homesteaded property until January 1.

If the taxes are not paid by January 1, further penalties are added. Penalties and interest apply to both taxes and special assessments. There are some exceptions to the above penalties, but they are not material.

Within 30 days after the tax settlement date, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after settlement, provided that after 45 days interest accrues at the rate of 8% per annum.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the county by December 31 (remitted to the City the following January) are classified as unremitted taxes receivable. Taxes not collected by the county by December 31 are classified as delinquent taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflow of resources because they are not available to finance current expenditures.

I. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the county's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes revenue from special assessments when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City

are recognized as revenue for the current year. Special assessments that are collected by the county by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funding are completely offset by deferred inflow of resources.

J. INVENTORIES

Inventories of the Governmental Funds and the Proprietary Funds are stated at cost, which approximates market, using the first-in, first-out (FIFO) method.

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

K. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

L. LEASE RECEIVABLE

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue/the lessee's usage levels.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the commencement of the lease in an amount equal to the initial recording of the lease receivable and is recognized as revenue over the lease term.

M. LAND HELD FOR RESALE

Land held for resale represents various property purchases made by the City with the intent to sell in order to increase tax base or attract new business. These assets are stated at the lower of cost or net realizable value.

N. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for easements which is \$10,000) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The City has chosen the modified approach for reporting street and trail system capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Life
Buildings and improvements	10 - 30 years
Furniture and equipment (including software)	5 - 10 years
Machinery and equipment	5 - 10 years
Other park improvements	10 - 30 years
Storm sewer	50 years
Distribution and collection systems	50 years
Temporary easements	5 - 15 years

The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting of its streets and trails. The City conducted a physical assessment in the fall of 2024 of the condition of the streets and trails constructed since 1974. This condition assessment will be performed every 3 years. Each segment of City owned street or trail was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each segment. The index is expressed in a continuous scale from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned to those segments that have the characteristic of a new street or trail. The following conditions were defined:

Range	Description
8 - 10	Excellent
7 - 7.9	Very good
6 - 6.9	Good
4 - 5.9	Fair
2 - 3.9	Poor
1 - 1.9	Very poor
0 - .9	Substandard

The City’s policy relative to maintaining the street and trail assets is to achieve an average rating of “Good” for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

O. COMPENSATED ABSENCES

City employees earn vacation and sick pay accruing each payroll period. Unused vacation can be accrued by the employees up to a maximum of 200 hours (240 hours if on the annual leave plan) as of the anniversary date of the individual’s employment with the City, unless a specific authorization is granted to an employee. Employees can also accrue an unlimited amount of unused sick leave. Employees with two or more years of service are entitled to receive severance pay equal to a percentage of unused sick pay ranging from 20-50 percent based on years of service, up to a maximum of 400 hours.

All vacation and sick leave benefits which are attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

P. LONG-TERM OBLIGATIONS

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Q. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City's Administrator and Finance Director are authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

R. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

S. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

T. RECLASSIFICATIONS

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

U. COMPARATIVE TOTALS

The basic financial statements and combining and individual fund financial statements and schedules include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

V. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will *not* be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in the category. They are the other post employment benefits and the pension related deferred outflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position and lease related deferred inflows reported in the government-wide Statement of Net Position and governmental funds Balance Sheet. The City also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only

in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, tax increment, special assessments, certified bills and land held for resale.

W. DEFINED BENEFIT PENSION PLANS - STATEWIDE

For purposes of measuring the net pension liability, deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

X. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$47,048,847) difference are as follows:

Bonds payable	(\$42,947,111)
Accrued interest payable	(593,467)
Other post employment benefits	(441,265)
Compensated absences	(1,088,181)
Net pension liability	<u>(1,978,823)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>(\$47,048,847)</u></u>

Another element of that reconciliation states that “internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. The assets and liabilities are included in the governmental activities statement of net position along with a deduction of net revenue attributable to business-type activities.” The details of this \$1,713,828 difference are as follows:

Internal Service Funds net position	\$1,870,180
Net revenue attributable to business-type activities	<u>(156,352)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$1,713,828</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,234,160 difference are as follows:

Capital outlay	\$6,439,374
Construction/acquisition costs	90,566
Depreciation expense	<u>(3,295,780)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$3,234,160</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.” The details of this \$1,706,066 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost (net of accumulated depreciation) of the capital assets sold.	(\$9,796)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>1,715,862</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$1,706,066</u>

Another element of that reconciliation states “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$308,407 difference are as follows:

Unavailable revenue - general property taxes:	
At December 31, 2024	(\$125,756)
At December 31, 2025	156,196
Unavailable revenue - special assessments:	
At December 31, 2024	(2,247,846)
At December 31, 2025	2,525,813
Unavailable revenue - land held for resale:	
At December 31, 2024	(1,005,000)
At December 31, 2025	<u>1,005,000</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$308,407</u>

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this \$3,051,156 difference are as follows:

Principal repayments:	
Abatement bonds	\$1,635,000
Certificates of indebtedness	160,000
Capital improvement bonds	315,000
Street reconstruction bonds	870,000
Amortization of bond premium	<u>71,156</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$3,051,156</u></u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$232,001) difference are as follows:

Compensated absences	(\$101,777)
Accrued interest	<u>(130,224)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>(\$232,001)</u></u>

Another element of that reconciliation states that “internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to governmental activities.” The details of this \$287,497 difference are as follows:

Internal Service Funds change in net position	\$322,921
Net revenue attributable to business-type activities	<u>(35,424)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$287,497</u></u>

Note 2 DEPOSITS AND INVESTMENTS

DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such banks are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Securities pledged as collateral are required to be held in safekeeping by the City Clerk/Treasurer or in a financial institution other than that furnishing the collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2025, the bank balance of the City’s deposits was covered by federal depository insurance or covered by perfected collateral pledged and held in the City’s name. The City has no additional deposit policies addressing custodial credit risk.

INVESTMENTS

Subject to rating, yield, maturity and issuer requirements as prescribed by statute, Minnesota Statutes 118A.04 and 118A.05 authorize the City to invest in United States securities, state and local securities, commercial paper, time deposits, temporary general obligation bonds, repurchase agreements, Minnesota joint powers investment trust and guaranteed investment contracts.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable, either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

As of December 31, 2025, the City had the following investments and maturities:

Investment Type	Credit Rating	Fair Value Measurement Level	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1 - 5	6 - 10
Brokered certificates of deposit	N/A	Level 2	\$21,700,683	\$15,655,433	\$6,045,250	\$ -
Municipal bonds	*	Level 2	9,862,326	3,325,340	6,360,100	176,886
Federal agency securities	Aa1	Level 2	32,265,654	12,353,096	19,103,635	808,923
U.S. Treasury notes	Aa1	Level 1	1,205,964	402,792	803,172	-
Money market funds	AAAm	Not categorized	14,290,066	14,290,066	-	-
External investment pools:						
4M Liquid Asset Class	AAAm	Not categorized	3,043,527	3,043,527	-	-
4M PLUS Class	AAAm	Not categorized	111,357	111,357	-	-
Total investments			82,479,577	\$49,181,611	\$32,312,157	\$ 985,809
Deposits			2,635,105			
Total cash and investments			\$85,114,682			

*AAA \$2,307,373; Aaa \$1,108,723; AA+ \$299,904;
Aa1 \$1,224,801; AA \$602,142; Aa2 \$2,959,317;
Aa3 \$1,360,066

The 4M Multi-Class Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Multi-Class Fund has two separate classes, the 4M Liquid Asset Class and the 4M PLUS Class.

The 4M Multi-Class Fund is managed to maintain a portfolio weighted average maturity of no greater than 60 days and seeks to maintain a constant net asset value of \$1.00 per share. The Fund's investments are measured at amortized cost in accordance with Governmental Accounting Standards Board Statement No. 79. The 4M Liquid Asset Class has no redemption requirements. The 4M PLUS Class requires funds to be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period are subject to a penalty equal to seven days interest on the amount withdrawn.

Custodial Credit Risk - Investments – For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party.

Interest Rate Risk – The City has a formal investment policy that states the City will minimize the risk that the market value of securities in the portfolio will fall due to the changes in general interest rates, by:

- 1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

- 2) Investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools.

Credit Risk – The City has a formal investment policy that states the City will minimize the credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- 1) Limiting investments to the safest types of securities.
- 2) Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply: audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of state registration, completed broker/dealer questionnaire, and certification of having read and understood and agreeing to comply with the City’s investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the City Administrator.

Concentration of Credit Risk – 22.7% of the City’s investments are in holdings with the Federal Home Loan Bank and 13.4% are in holdings with the Federal Farm Credit Bank. The City’s policy on concentration of investments is as follows:

- 1) Diversification - The investments shall be diversified by:
 - a) investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
 - b) limiting investment in securities that have higher credit risks,
 - c) investing in securities with varying maturities, and
 - d) continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- 2) Maximum Maturities – To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing, or having average lives, of more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2025 are as follows:

	Delinquent Property Taxes	Special Assessment Receivable	Lease Receivable	Total
Major Funds:				
General Fund	\$47,483	\$1,643	\$34,506	\$83,632
Community Center SRF	606	-	4,225,000	4,225,606
Water Trunk CPF	-	184,132	-	184,132
Road and Bridge CPF	9,832	1,734,874	-	1,744,706
Water Fund	-	-	807,897	807,897
Nonmajor Funds	19,990	94,259	-	114,249
Total	<u>\$77,911</u>	<u>\$2,014,908</u>	<u>\$5,067,403</u>	<u>\$7,160,222</u>

Note 4 LEASE RECEIVABLE

The City leases a portion of the Community Center to the YMCA for the purpose of operating an aquatic and fitness center and other related programming. This lease is non-cancelable for a period of 10 years, with six renewal periods of 10 years at the lessee's option. The City considers the likelihood of these options being exercised to be greater than 50%. However, future lease payments cannot be estimated at this time. The agreement calls for variable annual lease payments between \$624,508 - \$634,868 through February 1, 2034. The lease payment schedule is tied directly to the debt service schedule of the corresponding bonds that built the community center; therefore, the present value of future minimum lease payments equals the principal amount outstanding as stated in the lease agreement.

The City leases a portion of its water tower for a cellular antenna site. This lease is non-cancelable through December 31, 2026, with three renewal periods of 5 years at the lessee's option. The City considers the likelihood of these options being exercised to be less than 50%. The agreement calls for monthly payments of \$2,593 with increases of 3% each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.00%.

The City leases a portion of an emergency siren tower for a cellular antenna site. This lease is non-cancelable through September 22, 2028, with two renewal periods of 5 years at the lessee's option. The City considers the likelihood of these options being exercised to be less than 50%. The agreement calls for annual payments of \$17,250 with increases of \$1,000 each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.00%.

The City leases a portion of its water tower for a cellular antenna site. This lease is non-cancelable through June 30, 2035, with three renewal periods of 5 years at the lessee's option. The City considers the likelihood of these options being exercised to be greater than 50%. The agreement calls for monthly payments of \$2,800 with increases of 3% each year. The lease receivable is measured at the present value of the future minimum lease payments expected to be received during the lease term at a discount rate of 3.00%.

At December 31, 2025, the City recorded \$5,547,131 in lease receivable and deferred inflows of resources; and the City recognized lease revenue of \$688,272 during the year, which included interest revenue of \$240,069.

Note 5 UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Property Taxes	Special Assessments	Land Held for Resale	Total
Major Funds:				
General Fund	\$95,194	\$16,427	\$ -	\$111,621
Community Center SRF	1,214	-	-	1,214
Water Trunk CPF	-	188,077	-	188,077
Road and Bridge CPF	19,711	2,224,806	-	2,244,517
Tax Increment Projects CPF	-	-	1,005,000	1,005,000
Nonmajor Funds	40,077	96,503	-	136,580
Total	<u>\$156,196</u>	<u>\$2,525,813</u>	<u>\$1,005,000</u>	<u>\$3,687,009</u>

Note 6 CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the government-wide statement of net position. The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its streets and trails. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets including other infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$11,331,522	\$ -	\$ -	\$11,331,522
Streets and trails	95,002,767	1,715,862	-	96,718,629
Construction in progress	694,318	3,151,015	(363,222)	3,482,111
Total capital assets not being depreciated	107,028,607	4,866,877	(363,222)	111,532,262
Capital assets being depreciated:				
Buildings and improvements	63,623,011	1,545,526	(21,743)	65,146,794
Furniture and equipment (including software)	1,602,819	64,096	(105,584)	1,561,331
Machinery and equipment	11,276,859	1,573,267	(434,444)	12,415,682
Other park improvements	10,115,082	468,692	(63,885)	10,519,889
Total capital assets being depreciated	86,617,771	3,651,581	(625,656)	89,643,696
Less accumulated depreciation for:				
Buildings and improvements	24,077,921	2,168,643	(21,743)	26,224,821
Furniture and equipment	952,636	123,913	(103,494)	973,055
Machinery and equipment	8,124,116	619,486	(426,738)	8,316,864
Other park improvements	5,912,563	383,738	(63,885)	6,232,416
Total accumulated depreciation	39,067,236	3,295,780	(615,860)	41,747,156
Total capital assets being depreciated - net	47,550,535	355,801	(9,796)	47,896,540
Governmental activities capital assets - net	\$154,579,142	\$5,222,678	(\$373,018)	\$159,428,802

CITY OF ANDOVER, MINNESOTA
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December 31, 2025

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$730,243	\$ -	\$ -	\$730,243
Construction in progress	257,031	-	(257,031)	-
Total capital assets not being depreciated	987,274	-	(257,031)	730,243
Capital assets being depreciated:				
Buildings and improvements	16,183,190	1,108,147	-	17,291,337
Furniture and equipment (including software)	1,305,285	21,886	(9,956)	1,317,215
Machinery and equipment	1,880,155	467,645	(29,034)	2,318,766
Collection and distribution	78,188,269	1,818,199	-	80,006,468
Total capital assets being depreciated	97,556,899	3,415,877	(38,990)	100,933,786
Less accumulated depreciation for:				
Buildings and improvements	12,385,830	444,730	-	12,830,560
Furniture and equipment	231,141	91,323	(9,956)	312,508
Machinery and equipment	1,236,382	147,198	(29,034)	1,354,546
Collection and distribution	32,763,763	1,523,862	-	34,287,625
Total accumulated depreciation	46,617,116	2,207,113	(38,990)	48,785,239
Total capital assets being depreciated - net	50,939,783	1,208,764	-	52,148,547
Business-type activities capital assets - net	\$51,927,057	\$1,208,764	(\$257,031)	\$52,878,790

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$137,008
Public safety	388,171
Public works	641,012
Parks and recreation	2,114,156
Recycling	5,870
Economic development	9,563
Total depreciation/amortization expense - governmental activities	\$3,295,780
Business-type activities:	
Water	\$1,074,682
Sewer	738,345
Storm sewer	394,086
Total depreciation/amortization expense - business-type activities	\$2,207,113

CONSTRUCTION COMMITMENTS

The City had no outstanding contractual commitments related to construction projects as of December 31, 2025.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 7 LONG-TERM DEBT

The City issues general obligation bonds, equipment certificates and promissory notes to provide funds for the acquisition and construction of major capital facilities. The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Payable 12/31/25</u>
GOVERNMENTAL ACTIVITIES:					
Abatement Bonds:					
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$17,315,000	\$6,655,000
2019A G.O. Abatement Bonds	8/1/2019	2/1/2040	3.00-5.00%	15,770,000	13,190,000
Total abatement bonds				33,085,000	19,845,000
Certificates of Indebtedness:					
2021A G.O. Equipment Certificates	12/28/2021	2/1/2026	2.00%	630,000	165,000
2024A G.O. Equipment Certificates	12/30/2024	2/1/2028	5.00%	1,155,000	1,155,000
Total certificates of indebtedness				1,785,000	1,320,000
Capital Improvement Bonds:					
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	10,000,000	8,755,000
Street Reconstruction Bonds:					
2021A G.O. Street Reconstruction Bonds	12/28/2021	2/1/2030	1.00-2.00%	7,135,000	4,585,000
2024A G.O. Street Reconstruction Bonds	12/30/2024	2/1/2035	4.00-5.00%	7,440,000	7,440,000
Total street reconstruction bonds				14,575,000	12,025,000
Total - bonded indebtedness				59,445,000	41,945,000
Issuance premiums				-	1,002,111
Compensated absences payable				-	1,088,181
Total governmental activities indebtedness				59,445,000	44,035,292
BUSINESS-TYPE ACTIVITIES:					
Compensated absences payable				-	183,085
Total City indebtedness				\$59,445,000	\$44,218,377

For the governmental activities, compensated absences are generally liquidated by the General and Special Revenue Funds.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities					
	Abatement Bonds		Certificates of Indebtedness		Capital Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$1,690,000	\$622,925	\$530,000	\$50,275	\$335,000	\$287,631
2027	1,750,000	561,025	385,000	29,875	350,000	270,506
2028	1,810,000	495,422	405,000	10,125	370,000	256,206
2029	1,890,000	429,525	-	-	380,000	244,956
2030	1,955,000	364,050	-	-	390,000	233,406
2031-2035	5,620,000	1,131,525	-	-	2,130,000	981,500
2036-2040	5,130,000	394,050	-	-	2,485,000	617,628
2041-2044	-	-	-	-	2,315,000	165,463
Total	<u>\$19,845,000</u>	<u>\$3,998,522</u>	<u>\$1,320,000</u>	<u>\$90,275</u>	<u>\$8,755,000</u>	<u>\$3,057,296</u>

	Governmental Activities	
	Street Reconstruction Bonds	
	Principal	Interest
2026	\$1,450,000	\$397,635
2027	1,530,000	349,985
2028	1,580,000	304,310
2029	1,620,000	260,945
2030	1,660,000	214,940
2031-2035	4,185,000	470,900
	<u>\$12,025,000</u>	<u>\$1,998,715</u>

It is not practical to determine the specific year for payment of long-term accrued compensated absences.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Abatement bonds	\$21,480,000	\$ -	(\$1,635,000)	\$19,845,000	\$1,690,000
Certificates of indebtedness	1,480,000	-	(160,000)	1,320,000	530,000
Capital improvement bonds	9,070,000	-	(315,000)	8,755,000	335,000
Street reconstruction bonds	12,895,000	-	(870,000)	12,025,000	1,450,000
Total bonds payable	44,925,000	-	(2,980,000)	41,945,000	4,005,000
Issuance premiums	1,073,267	-	(71,156)	1,002,111	-
Compensated absences*	986,404	101,777	-	1,088,181	163,227
Total governmental activities	<u>\$46,984,671</u>	<u>\$101,777</u>	<u>(\$3,051,156)</u>	<u>\$44,035,292</u>	<u>\$4,168,227</u>
Business-type activities:					
Compensated absences*	<u>\$182,234</u>	<u>\$851</u>	<u>\$ -</u>	<u>\$183,085</u>	<u>\$27,462</u>

*The change in compensated absences is presented as a net change.

For the governmental activities, bonds can be summarized in the following categories:

Abatement bonds were used to purchase a 132,000 square foot building from the EDA and expand the building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

Certificates of indebtedness are used to finance the purchase of capital equipment. The certificates are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the certificates.

Capital improvement bonds were used to finance the construction of the public works maintenance facility with a wash bay and a cold storage building. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

Street reconstruction bonds are used to finance the reconstruction of roadways in the City. The bonds are general obligations of the City for which it pledges its full faith, credit and taxing powers to the payment of principal and interest on the bonds.

REVENUES PLEDGED

2012C G.O. Abatement Bonds. The City has pledged future lease revenue, operating revenues (net of operating expenses) and, if necessary, a debt service tax levy to repay the \$17,315,000 bonds issued in December 2012. Proceeds from this bond refunded the 2004 EDA Public Facility Lease Revenue Bonds. Lease revenues were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$7,262,747, payable through February 2031. For the current year, principal and interest paid and total property tax revenues were \$1,209,356 and \$963,849, respectively.

2019A G.O. Abatement Bonds. The City has pledged future lease revenue, operating revenues (net of operating expenses) and, if necessary, a debt service tax levy to repay the \$15,770,000 bonds issued in August 2019. Proceeds from this bond were used to finance the expansion of the community center. Total principal and interest remaining on the bonds is

\$16,580,775, payable through February 2040. For the current year, principal and interest paid and total property tax revenues were \$1,106,900 and \$1,011,822, respectively.

2021A G.O. Equipment Certificates. The City has pledged future property tax revenue to repay the \$630,000 bonds issued in December 2021. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$166,650, payable through February 2026. For the current year, principal and interest paid and total property tax revenues were \$164,900 and \$175,626, respectively.

2024A G.O. Equipment Certificates. The City has pledged future property tax revenue to repay the \$1,155,000 bonds issued in December 2024. Proceeds from the bonds were used to finance the purchase of capital equipment. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,243,625, payable through February 2028. For the current year, principal and interest paid and total property tax revenues were \$33,848 and \$447,230 respectively.

2018A G.O. Capital Improvement Plan Bonds. The City has pledged future property tax revenue to repay the \$10,000,000 bonds issued in December 2018. Proceeds from the bonds were used to finance the construction of a public works maintenance facility with a wash bay and a cold storage building. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$11,812,297, payable through February 2044. For the current year, principal and interest paid and total property tax revenues were \$618,881 and \$613,453, respectively.

2021A G.O. Street Reconstruction Bonds. The City has pledged future property tax revenue to repay the \$7,135,000 bonds issued in December 2021. Proceeds from the bonds were used to finance the reconstruction of roadways in the City. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$4,730,690, payable through February 2030. For the current year, principal and interest paid and total property tax revenues were \$945,260 and \$645,140, respectively.

2024A G.O. Street Reconstruction Bonds. The City has pledged future property tax revenue to repay the \$7,440,000 bonds issued in December 2024. Proceeds from the bonds were used to finance the reconstruction of roadways in the City. Property taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$9,293,025, payable through February 2035. For the current year, principal and interest paid and total property tax revenues were \$207,513 and \$993,838, respectively.

Note 8 LEGAL DEBT MARGIN

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City's legal debt margin for 2025 and 2024 is computed as follows:

	December 31,	
	2025	2024
Estimated taxable market value	<u>\$5,273,487,410</u>	<u>\$4,926,472,404</u>
Debt limit (3% of market value)	<u>158,204,622</u>	<u>147,794,172</u>
Amount of debt applicable to debt limit:		
Total bonded debt	\$41,945,000	\$44,925,000
Less: Cash and investments in related debt service funds	<u>(5,149,826)</u>	<u>(3,642,166)</u>
Total debt applicable to debt limit	<u>36,795,174</u>	<u>41,282,834</u>
Legal debt margin	<u>\$121,409,448</u>	<u>\$106,511,338</u>

Note 9 DEFINED BENEFIT PENSION PLANS - PERA

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes Chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

The General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989 receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first ten years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

C. CONTRIBUTIONS

Minnesota Statutes Chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025 were \$419,536. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025 were \$64,158. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$1,976,226 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$47,673.

City's proportionate share of the net pension liability	\$1,976,226
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>47,673</u>
Total	<u><u>\$2,023,899</u></u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0596% at the end of the measurement period and 0.0600% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of (\$79,652) for its proportionate share of the General Plan's pension expense. In addition, the City recognized an additional (\$7,312) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City reported General Employees Fund deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$188,191	\$ -
Changes in actuarial assumptions	47,612	453,745
Difference between projected and actual investment earnings	-	789,847
Changes in proportion	629	37,115
Contributions paid to PERA subsequent to the measurement date	211,445	-
Total	<u>\$447,877</u>	<u>\$1,280,707</u>

The \$211,445 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2026	(\$240,264)
2027	(388,095)
2028	(275,453)
2029	(140,463)
2030	-
Thereafter	-

2. Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$262,767 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0224% at the end of the measurement period and 0.0229% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in direct state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on

an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,109.

City's proportionate share of the net pension liability	\$262,767
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>9,109</u>
	<u>\$271,876</u>

For the year ended December 31, 2025, the City recognized pension expense of \$59,686 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized an additional \$4,407 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid, because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$2,018 for the year ended December 31, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2025, the City reported Police and Fire Fund deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$120,548	\$ -
Changes in actuarial assumptions	193,647	327,030
Difference between projected and actual investment earnings	-	120,029
Changes in proportion	100,825	73,319
Contributions paid to PERA subsequent to the measurement date	<u>32,804</u>	<u>-</u>
Total	<u>\$447,824</u>	<u>\$520,378</u>

The \$32,804 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2026	\$65,037
2027	(40,166)
2028	(113,357)
2029	(22,397)
2030	5,525
Thereafter	-

The net pension liability will be liquidated by the general, special revenue, water and sewer funds.

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.25% per year
Investment Rate of Return	7.00%

The long-term investment rate of return is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00% is within that range.

Benefit increases after retirement are assumed to be 1.50% for the General Plan and 1.00% for the Police and Fire Plan.

Salary growth assumptions in the General Plan range in annual increments from 11.50% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3.0% after 23 years of service.

Mortality rates for the General Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Plan are reviewed every four years. The General Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1.00% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.50%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1.00% and 1.50%.
- The 1.00% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.

- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1.00% to 3.00%; subsequent January 1 increases will be 1.00%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5%	5.10%
International equity	16.5%	5.30%
Fixed income	25.0%	0.75%
Private markets	25.0%	5.90%
Total	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Plan and Police and Fire Plan were projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Proportionate share of the General Plan net pension liability	\$4,799,944	\$1,976,226	(\$314,444)
Proportionate share of the Police and Fire Plan net pension liability	688,506	262,767	(86,831)

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

I. PENSION EXPENSE

Pension expense recognized by the City for the year ended December 31, 2025 is as follows:

General Plan	(\$86,964)
Police and Fire Plan	64,093
Total	<u>(\$22,871)</u>

Note 10 DEFINED CONTRIBUTION LUMP SUM SERVICE PENSION PLAN – VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION

PLAN DESCRIPTION

Members of the City's volunteer fire department are members of the Andover Firefighters' Relief Association. The Association is the administrator of a single-employer defined contribution plan available to firefighters that was established October 9, 1979 and operates under the provisions of *Minnesota Statutes* Section 424A. It is governed by a board of six members elected by the members of the Association for three-year terms. The City's Mayor, Finance Manager and Fire Chief are ex-officio members of the Board of Trustees.

The Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members.

1. Twenty-Year Service Pension – In order to be entitled to a pension benefit, a firefighter must have completed a minimum of five years of service with the Department and five years membership in the Association and attain the age of 50 years. The firefighter will then be 40% vested. This percentage increases 4% per year until the twentieth year when 100% vesting will occur. Because this is a defined contribution plan, the amount of the retirement benefit is not predetermined, but rather is based on the individual member's allocable portion of contributions made during the participation period.
2. Deferred Pension – If the retired or terminated member has not attained age 50 and is otherwise eligible for the pension benefit, the balance of the member's account will be credited with earned interest at the rate permitted by *Minnesota Statutes* Section 424A.02, Subd.7.

3. Disability Benefit – If a member of the Association becomes totally and permanently disabled due to injury, disability, sickness or dismemberment as a result of performance of duty, a disability payment will be made after one hundred days of disability.
4. Death Benefit – In the event of death of an active member or deferred pensioner, the member’s individual account balance will be paid to the surviving spouse, surviving children or the estate of the member after approval by the Board.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Andover Firefighters’ Relief Association, 13875 Crosstown Boulevard NW, Andover, Minnesota 55304.

FUNDING POLICY

The State of Minnesota contributes amortization aid, or two percent fire aid, in accordance with state statute requirements. Plan members are not required to contribute to the plan. The state legislature may amend contribution requirements of the City and State. The City is allowed to make voluntary contributions of other public funds pursuant to Minnesota Statutes Section 424A. The City receives the State aid contribution and is required by state statutes to pass this through as payment to the Association. This transaction is recorded as revenue and expenditure in the City’s financial statements. Contributions for the last three years are as follows:

Year Ending December 31	City	State	Total
2023	\$ -	\$249,917	\$249,917
2024	58,500	272,622	331,122
2025	62,656	312,947	375,603

Note 11 OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Notes 9 and 10, the City provides post-employment health care benefits (as defined in paragraph B) for retired employees through a single employer defined benefit plan. The term *plan* refers to the City’s requirement by State Statute to provide retirees with access to health insurance. The OPEB plan is administered by the City. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61 Subd. 2a, and 299A.465. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

Retirees

The City is required by State Statute to allow retirees to continue participation in the City’s group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Employees who satisfy the Rule of 90 or attain age 55 and have completed 10 years of service at termination can immediately commence medical benefits. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree’s death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee’s death.

All health care coverage is provided through the City’s group health insurance plan. The retiree is required to pay 100% of their premium cost for the City-sponsored group health insurance plan. The premium is a blended rate determined by the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City’s plan becomes secondary.

C. PARTICIPANTS

As of the actuarial valuation dated December 31, 2024, participants consisted of:

Retirees and beneficiaries currently purchasing health insurance through the City	2
Active employees	61
Total	63
Participating employers	1

D. TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

The City's total OPEB liability of \$513,099 was measured as of December 31, 2024 and was determined by an actuarial valuation using the alternative measurement method as of December 31, 2024. Changes in the total OPEB liability during 2025 were:

Balance - beginning of year	\$542,064
Changes for the year:	
Service cost	31,554
Interest	20,760
Changes of benefit terms	-
Differences between expected and actual experience	(74,605)
Changes in assumptions	39,260
Benefits payments	(45,934)
Net changes	(28,965)
Balance - end of year	\$513,099

For governmental activities, OPEB liabilities are generally liquidated by the General and Special Revenue Funds. The current portion of the OPEB liability is not material to the financial statements and therefore is not presented separately from the amount due in more than one year on the statement of net position.

E. ACTUAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.25%
Discount rate	4.08%
Investment rate of return	2.00%
Healthcare cost trend rates	8.10% for FY2025, gradually decreasing over several decades to an ultimate rate of 3.90% in FY2075 and later years.
Retirees' share of benefit-related costs	100%

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return was based an index rate for 20-year tax-exempt municipal bonds (Fidelity 20-Year Municipal G.O. AA Index).

Mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Based on past experience of the plan, 75% of the employees currently electing coverage are assumed to elect coverage in the same plan and coverage level at retirement, continue coverage to age 65 and then waive coverage.

F. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower (3.08%) or one percent higher (5.08%) than the current rate:

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB liability	\$545,907	\$513,099	\$481,966

G. SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or one percent higher than the current rate:

	1% Decrease in Healthcare Cost Trend Rate	Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
Total OPEB liability	\$472,378	\$513,099	\$559,436

H. OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2025, the City recognized (\$34,695) of OPEB expense. At December 31, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions between measurement date and reporting date	\$51,664	\$ -

\$51,664 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2026.

Note 12 INTERFUND TRANSFERS

The City made the following interfund transfers during the year:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Water Fund	\$81,662	Admin allocation
General Fund	Sewer Fund	77,652	Admin allocation
General Fund	Storm Sewer Fund	17,866	Admin allocation
Water Trunk CPF	Water Fund	300,000	Replacement reserve
Sewer Trunk CPF	Sewer Fund	400,000	Replacement reserve
Road & Bridge CPF	Nonmajor Fund	10,100	Roadway degredation
Water Fund	Water Trunk Fund CPF	59,174	Plant operations
Nonmajor Fund	General Fund	250,000	EDA funding shortfall
Nonmajor Fund	General Fund	250,000	DNR trail project match
Nonmajor Fund	General Fund	150,000	Natural disaster reserve increase
Nonmajor Fund	General Fund	350,000	Plow truck replacement
Nonmajor Fund	Community Center SRF	300,000	Debt service allocation
Nonmajor Fund	Road & Bridge CPF	200,000	Debt service allocation
Nonmajor Fund	Water Fund	22,650	Debt service allocation
Nonmajor Fund	Sewer Fund	22,650	Debt service allocation
Nonmajor Fund	Nonmajor Fund	159,107	Debt service allocation
Nonmajor Fund	Nonmajor Fund	150,000	Debt service allocation
		<u>\$2,800,861</u>	

Additionally, computer service fees paid by the Water, Sewer and Storm Sewer Enterprise Funds to the General Fund have been reclassified as transfers on the Government-Wide Statement of Activities as follows:

	Transfer In	Transfer Out
Governmental activities	\$30,600	\$ -
Business-type activities	-	30,600
Total	<u>\$30,600</u>	<u>\$30,600</u>

Note 13 TAX INCREMENT DISTRICTS AND TAX ABATEMENTS

The City is the administering authority for the following tax increment finance district:

Name of District	Tax Increment Financing District 1-5
Type of District	Redevelopment
Authorizing Law	M.S. Section 469
Established	2012
Duration of District	Through 2039
Original net tax capacity	\$6,139
Current net tax capacity	<u>127,813</u>
Current net tax capacity - retained by the City	<u>\$ 121,674</u>

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The City has one tax increment pay-as-you-go agreement. The agreement is not a general obligation of the City and is payable solely from available tax increment. Accordingly, this agreement is not reflected in the financial statements of the City. Details of the pay-as-you-go are as follows:

TIF District #1-5, Arbor Oaks Project:

Issued in 2012 in the principal sum of \$540,000 with an interest rate of 5.00% per annum. Principal and interest shall be paid on August 1, 2014 and each February and August thereafter to and including February 1, 2029. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed February 1, 2029. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2029. The current year abatement (TIF note payments) amounted to \$90,933. At December 31, 2025, the principal amount outstanding on the note was \$0.

Note 14 CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages.

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City also has a \$2,500 deductible per occurrence to further decrease the cost of coverage. Final premiums are determined after an audit of payroll subsequent to the close of the agreement year and are subject to revisions in rates, payrolls and experience modification. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property, casualty, and automobile insurance coverage are provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

B. LITIGATION

The City is not aware of any existing or pending lawsuits, claims or other actions in which the City is a defendant.

C. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting

from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2025.

D. TAX INCREMENT DISTRICTS

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance that would have a material effect on the financial statements.

Note 15 DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT

General Obligation bond issues sold by the City are financed by ad valorem tax levies and special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2025. Future scheduled tax levies for all bonds outstanding at December 31, 2025 totaled \$49,220,993.

CITY OF ANDOVER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

Note 16 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2025, a summary of the governmental fund balance classifications are as follows:

	General	Community Center SRF	Water and Sewer Trunk CPF	Road & Bridge CPF	Tax Increment Projects CPF	2024A G.O. Street Reconstruction Bonds CPF	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$128,589	\$22,403	\$ -	\$ -	\$ -	\$ -	\$30,489	\$181,481
Inventory	157,108	-	-	-	-	-	-	157,108
Total nonspendable	285,697	22,403	-	-	-	-	30,489	338,589
Restricted for:								
Debt service	-	-	-	-	-	-	5,214,187	5,214,187
Tax increment	-	-	-	-	193,367	-	-	193,367
Street rehabilitation	-	-	-	-	-	4,726,958	-	4,726,958
Economic development	-	-	-	-	-	-	214,655	214,655
Forest resources programs	-	-	-	-	-	-	708	708
Public safety	-	-	-	-	-	-	1,341,601	1,341,601
Capital improvements	-	-	-	-	-	-	127,859	127,859
Public services	-	-	-	-	-	-	317,775	317,775
Total restricted	-	-	-	-	193,367	4,726,958	7,216,785	12,137,110
Committed to:								
Economic development	-	-	-	-	-	-	349,566	349,566
City's mapping system	-	-	-	-	-	-	224,139	224,139
Surface water mgmt.	-	-	-	-	-	-	108,709	108,709
Public right of ways mgmt.	-	-	-	-	-	-	157,736	157,736
Seal coating new dev.	-	-	-	-	-	-	16,467	16,467
Total committed	-	-	-	-	-	-	856,617	856,617
Assigned to:								
Water system	-	-	9,664,147	-	-	-	-	9,664,147
Sanitary sewer system	-	-	9,536,980	-	-	-	-	9,536,980
Street rehabilitation	-	-	-	11,286,406	-	-	-	11,286,406
Development purposes	-	-	-	-	-	-	357,719	357,719
Community center	-	1,290,390	-	-	-	-	-	1,290,390
Forest resources programs	-	-	-	-	-	-	3,111	3,111
Public services	-	-	-	-	-	-	47,952	47,952
Park improvements	-	-	-	-	-	-	3,458,195	3,458,195
Facilities management	-	-	-	-	-	-	868,708	868,708
Pedestrian trails	-	-	-	-	-	-	1,505,514	1,505,514
Capital improvements	-	-	-	-	-	-	3,357,868	3,357,868
Total assigned	-	1,290,390	19,201,127	11,286,406	-	-	9,599,067	41,376,990
Unassigned	14,050,755	-	-	-	-	-	-	14,050,755
Total	\$14,336,452	\$1,312,793	\$19,201,127	\$11,286,406	\$193,367	\$4,726,958	\$17,702,958	\$68,760,061

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – July and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy established a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 51-53% of the subsequent year's budgeted expenditures. At December 31, 2025, the unassigned fund balance of the General Fund targeted for cash-flow needs was 84% of the subsequent year's budgeted expenditures.

Note 17 CONDUIT DEBT OBLIGATION

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans and has not made any commitments to pay the debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2025, the following revenue bonds were outstanding:

Project	Date of Issue	Original Issue	Retired	Outstanding 12/31/2025
Presbyterian Homes of Andover, Inc.	11/1/2003	\$13,145,000	(\$7,418,224)	\$5,726,776
YMCA of the Greater Twin Cities	12/1/2019	6,650,000	(3,765,000)	2,885,000
Andover Crossing Senior Complex	4/24/2025	39,250,000	-	39,250,000

Note 18 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 103 *Financial Reporting Model Improvements*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2025.

Statement No. 104 *Disclosure of Certain Capital Assets*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2025.

Statement No. 105 *Subsequent Events*. The provisions of this Statement are effective for reporting periods beginning after June 15, 2026.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 9
Page 1 of 2

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
General property taxes	\$ 12,188,182	\$ 12,188,182	\$ 12,071,069	\$ (117,113)	\$ 11,526,021
Licenses and permits	668,850	710,598	1,120,745	410,147	873,585
Intergovernmental	911,625	1,058,620	1,108,001	49,381	974,582
Charges for services	966,910	1,034,550	1,708,248	673,698	1,391,734
Fines	50,500	50,500	72,959	22,459	81,143
Investment income	100,000	100,000	483,518	383,518	439,829
Miscellaneous	155,300	155,300	295,553	140,253	205,725
Total revenues	15,041,367	15,297,750	16,860,093	1,562,343	15,492,619
Expenditures:					
Current:					
General government:					
Mayor and City council	111,874	111,874	97,896	13,978	100,675
Administration	319,666	319,666	274,033	45,633	261,677
Newsletter	36,000	36,000	25,093	10,907	29,515
Human resources	99,722	32,922	24,053	8,869	20,257
Legal	227,836	227,836	218,949	8,887	212,106
City clerk	212,760	212,760	209,274	3,486	209,789
Elections	92,088	92,088	24,377	67,711	110,109
Financial administration	385,635	385,635	367,060	18,575	340,890
Assessing	161,000	161,000	137,727	23,273	136,093
Information systems	277,824	277,824	258,646	19,178	242,024
Planning and zoning	583,871	585,071	524,502	60,569	467,959
Engineering	789,877	792,877	779,072	13,805	727,294
Facility management	812,527	827,527	604,879	222,648	538,842
Total general government	4,110,680	4,063,080	3,545,561	517,519	3,397,230
Public safety:					
Police	3,936,982	3,936,982	3,936,430	552	3,625,598
Fire protection	2,332,343	2,480,038	2,455,528	24,510	2,180,159
Protective inspection	586,874	696,262	682,540	13,722	512,033
Civil defense	39,759	39,759	24,097	15,662	21,927
Animal control	10,950	10,950	10,321	629	7,632
Total public safety	6,906,908	7,163,991	7,108,916	55,075	6,347,349
Public works:					
Streets and highways	1,056,369	1,066,369	1,045,632	20,737	1,007,344
Snow and ice removal	925,753	925,753	798,543	127,210	701,631
Street signs	229,960	229,960	189,236	40,724	215,722
Traffic signals	44,000	44,000	37,613	6,387	44,366
Street lighting	227,400	227,400	196,525	30,875	187,154
Total public works	\$ 2,483,482	\$ 2,493,482	\$ 2,267,549	\$ 225,933	\$ 2,156,217

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 9
Page 2 of 2

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Expenditures:					
Current: (continued)					
Parks and recreation	\$ 1,635,255	\$ 1,613,605	\$ 1,584,801	\$ 28,804	\$ 1,590,611
Recycling	250,230	250,150	204,704	45,446	190,988
Unallocated	96,600	96,600	1,248	95,352	4,303
Total current	15,483,155	15,680,908	14,712,779	968,129	13,686,698
Capital outlay	235,000	225,382	204,117	21,265	266,842
Total expenditures	15,718,155	15,906,290	14,916,896	989,394	13,953,540
Revenues over (under) expenditures	(676,788)	(608,540)	1,943,197	2,551,737	1,539,079
Other financing sources (uses):					
Transfers in	177,180	177,180	177,180	-	221,246
Transfers out	-	(1,000,000)	(1,000,000)	-	(93,700)
Total other financing sources (uses)	177,180	(822,820)	(822,820)	-	127,546
Net increase (decrease) in fund balance	\$ (499,608)	\$ (1,431,360)	1,120,377	\$ 2,551,737	1,666,625
Fund balance - January 1			13,216,075		11,549,450
Fund balance - December 31			\$ 14,336,452		\$ 13,216,075

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 10

BUDGETARY COMPARISON SCHEDULE - COMMUNITY CENTER SPECIAL REVENUE FUND

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
General property taxes	\$ 155,000	\$ 155,000	\$ 153,918	\$ (1,082)	\$ 153,742
Charges for services	1,256,000	1,256,000	1,501,683	245,683	1,491,637
Investment income	5,000	5,000	67,430	62,430	83,017
Miscellaneous:					
Rent	638,000	638,000	637,412	(588)	642,619
Other	188,068	188,068	266,921	78,853	285,901
Total revenues	2,242,068	2,242,068	2,627,364	385,296	2,656,916
Expenditures:					
Current:					
Parks and recreation	1,933,195	1,932,784	1,900,671	32,113	1,802,153
Capital outlay	1,008,000	1,008,411	987,918	20,493	60,325
Total expenditures	2,941,195	2,941,195	2,888,589	52,606	1,862,478
Revenue over (under) expenditures	(699,127)	(699,127)	(261,225)	437,902	794,438
Other financing sources (uses)					
Transfers out	(300,000)	(300,000)	(300,000)	-	(300,000)
Net increase (decrease) in fund balance	<u>\$ (999,127)</u>	<u>\$ (999,127)</u>	(561,225)	<u>\$ 437,902</u>	494,438
Fund balance - January 1			1,874,018		1,379,580
Fund balance - December 31			<u>\$ 1,312,793</u>		<u>\$ 1,874,018</u>

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

For the Last Ten Years

Statement 11

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability:								
Service cost	\$ 14,090	\$ 16,135	\$ 17,068	\$ 21,330	\$ 29,835	\$ 31,576	\$ 29,308	\$ 31,554
Interest	10,482	10,008	12,944	11,060	9,589	9,371	21,125	20,760
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	28,866	-	62,605	-	65,589	-	(74,605)
Changes in assumptions	11,969	3,219	25,462	(20,807)	5,046	(71,197)	9,244	39,260
Benefit payments	(5,813)	(12,311)	(12,922)	-	(10,892)	(21,746)	(19,820)	(45,934)
Net change in total OPEB liability	30,728	45,917	42,552	74,188	33,578	13,593	39,857	(28,965)
Total OPEB liability - beginning	261,651	292,379	338,296	380,848	455,036	488,614	502,207	542,064
Total OPEB liability - ending	<u>\$ 292,379</u>	<u>\$ 338,296</u>	<u>\$ 380,848</u>	<u>\$ 455,036</u>	<u>\$ 488,614</u>	<u>\$ 502,207</u>	<u>\$ 542,064</u>	<u>\$ 513,099</u>
Covered-employee payroll	\$ 4,469,146	\$ 4,620,961	\$ 4,562,782	\$ 4,848,511	\$ 5,665,943	\$ 5,309,998	\$ 5,358,509	\$ 5,986,224
Total OPEB liability as a percentage of covered-employee payroll	6.5%	7.3%	8.3%	9.4%	8.6%	9.5%	10.1%	8.6%

The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2018 and is intended to show a ten year trend. Additional years will be added as they become available.

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 12

Measurement Date June 30	Fiscal Year Ending December 31	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a + b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	2016	0.0590%	\$ 4,790,507	\$ 62,597.00	\$ 4,853,104	\$ 3,623,880	133.9%	68.9%
2017	2017	0.0594%	3,792,057	47,673	3,839,730	3,825,146	100.4%	75.9%
2018	2018	0.0587%	3,256,435	106,772	3,363,207	3,944,067	85.3%	79.5%
2019	2019	0.0576%	3,184,575	98,996	3,283,571	4,076,586	80.5%	80.2%
2020	2020	0.0583%	3,495,351	107,788	3,603,139	4,156,037	86.7%	79.1%
2021	2021	0.0601%	2,566,539	78,332	2,644,871	4,324,969	61.2%	87.0%
2022	2022	0.0613%	4,854,980	142,340	4,997,320	4,591,680	108.8%	76.7%
2023	2023	0.0605%	3,383,092	93,308	3,476,400	4,813,586	72.2%	83.1%
2024	2024	0.0600%	2,217,512	57,340	2,274,852	5,076,640	44.8%	89.1%
2025	2025	0.0596%	1,976,226	47,673	2,023,899	5,401,000	37.5%	90.8%

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
For the Last Ten Years

Statement 13

Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 283,158	\$ 283,158	\$ -	\$ 3,775,440	7.5%
2017	284,139	284,139	-	3,788,520	7.5%
2018	301,507	301,507	-	4,020,093	7.5%
2019	310,033	310,033	-	4,133,993	7.5%
2020	317,872	317,872	-	4,238,286	7.5%
2021	335,268	335,268	-	4,470,240	7.5%
2022	349,150	349,150	-	4,655,333	7.5%
2023	368,657	368,657	-	4,915,427	7.5%
2024	395,322	395,322	-	5,270,960	7.5%
2025	419,536	419,536	-	5,593,813	7.5%

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Statement 14

Measurement Date June 30	Fiscal Year Ending December 31	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a + b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	2016	0.0280%	\$ 1,123,689	\$ -	\$ 1,123,689	\$ 283,389	396.5%	63.9%
2017	2017	0.0280%	378,033	-	378,033	287,895	131.3%	85.4%
2018	2018	0.0267%	284,595	-	284,595	281,901	101.0%	88.8%
2019	2019	0.0272%	289,571	-	289,571	287,498	100.7%	89.3%
2020	2020	0.0205%	270,212	6,371	276,583	232,475	119.0%	87.2%
2021	2021	0.0162%	125,047	5,612	130,659	190,876	68.5%	93.7%
2022	2022	0.0177%	770,234	33,697	803,931	214,865	374.2%	70.5%
2023	2023	0.0246%	424,810	17,118	441,928	322,961	136.8%	86.5%
2024	2024	0.0229%	301,842	11,506	313,348	317,706	98.6%	90.2%
2025	2025	0.0224%	262,767	9,109	271,876	340,373	79.9%	91.8%

See accompanying notes to the required supplementary information.

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE FUND
For the Last Ten Years

Statement 15

Fiscal Year Ending December 31	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 45,909	\$ 45,909	\$ -	\$ 283,389	16.2%
2017	45,604	45,604	-	281,506	16.2%
2018	46,365	46,365	-	286,204	16.2%
2019	46,269	46,269	-	272,993	16.9%
2020	34,168	34,168	-	193,040	17.7%
2021	35,706	35,706	-	201,729	17.7%
2022	47,226	47,226	-	266,814	17.7%
2023	54,869	54,869	-	309,994	17.7%
2024	60,157	60,157	-	339,870	17.7%
2025	64,158	64,158	-	362,475	17.7%

See accompanying notes to the required supplementary information.

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Note A BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the departmental level for the General Fund.

Note B MODIFIED APPROACH FOR CITY STREETS AND TRAILS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street and trail system; water treatment and distribution system; wastewater collection system; park and recreation lands and improvement system; storm water conveyance system; and building combined with site amenities such as parking and landscape areas used by the City in the conduct of its business. Each major infrastructure can be divided into subsystems. For example, the street and trail system can be divided into pavement widths, curb type and sidewalk. City owned streets could further be classified as collector or local. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach as defined in GASB Statement No. 34 for infrastructure reporting for its Pavement Management Program. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- 1) The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- 2) The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City’s policy relative to maintaining the street and trail assets is to achieve an average rating of “Good” for all segments. This acceptable rating allows minor cracking and patching of the pavement along with minor roughness that could be noticeable to the users of the system.

In the fall of 2024, the City conducted a physical condition assessment of the streets and trails constructed since 1974. This assessment will be performed every three years. Each street and trail segment was assigned a physical condition based on potential defects. An Overall Condition Index (OCI) was assigned to each street and trail and expressed in a continuous scale. The continuous scale is from 0 to 10, where 0 is assigned to the least acceptable physical condition and 10 is assigned the physical characteristics of a new street or trail. The following conditions were defined:

Condition	Rating Scale
Excellent	8 - 10
Very Good	7 - 7.9
Good	6 - 6.9
Fair	4 - 5.9
Poor	2 - 3.9
Very Poor	1 - 1.9
Substandard	0 - .9

As of December 31, 2025, the City’s street and trail system was rated at an OCI index of 6.6 on the average with detail condition as follows:

Condition	% of Street and Trails
Excellent to Good	80.4%
Fair	12.0%
Poor to Substandard	7.6%

CITY OF ANDOVER, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

The City's streets and trails are constantly deteriorating resulting from the following factors: (1) traffic using the system; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development trenching operations; (4) water damage from natural precipitation; and (5) frost heave. The City is continuously taking actions to prolong the life of the system through short-term maintenance activities such as pothole patching, crack sealing, pavement sealing, full depth reclamation and overlaying. The City expended \$10,889,709 on street and trail maintenance for the year ending December 31, 2025. These expenditures delayed deterioration; however, the overall condition of the system was improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City's street and trail system at the average OCI rating of good is approximately \$3,200,000.

Year	Maintenance Estimate	Actual Expenditures	OCI Rating
2016	1,150,000	1,585,756	6.3
2017	1,150,000	3,548,327	6.4
2018	1,150,000	2,274,146	6.4
2019	1,150,000	3,701,063	5.3
2020	1,150,000	2,667,008	5.4
2021	2,500,000	2,160,714	5.9
2022	2,750,000	4,159,982	6.0
2023	3,000,000	7,830,116	6.4
2024	3,100,000	7,639,501	6.5
2025	3,200,000	10,889,709	6.6

The City has an on-going street and trail rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of the City streets and trails. The rehabilitation program is formulated based on the deficiencies identified as a part of its Pavement Management Program.

Note C OPEB INFORMATION

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. There are no factors that affect trends in the amounts reported, such as changes in benefit terms.

Note D PENSION INFORMATION

PERA – General Employees Retirement Fund

2025 Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

2025 Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1.00% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.50%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1.00% and 1.50%.
- The 1.00% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

2024 Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

2023 Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2020 Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020, through December 31, 2023, and 0.00% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2018 Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2017 Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018 and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The State's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016 Changes in Actuarial Assumptions:

- The assumed annual benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PERA – Public Employees Police and Fire

2025 Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2025 Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1.00% to 3.00%; subsequent January 1 increases will be 1.00%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police and Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%

2023 Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$19.4 million was contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.00% will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes in Actuarial Assumptions:

- The single discount rate changed from 6.50% to 5.40%.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

2020 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 Changes in Plan Provisions:

- Annual increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes in Actuarial Assumptions:

- The single discount rate was changed from 5.60% to 7.50%.
- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested deferred members. The CSA was changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed annual benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes in Actuarial Assumptions:

- The assumed annual benefit increase rate was changed from 1.00% per year through 2037 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues for these funds can come from a variety of sources, such as taxes, fees, gifts and grants or contributions from other governmental entities. Expenditures from these funds are normally restricted by statute, local ordinance or grant agreements. The funds may be used for either operations or capital outlay as legal restrictions mandate.

DEBT SERVICE FUNDS

A Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term principal, interest and other related costs.

CAPITAL PROJECTS FUNDS

A Capital Projects Fund is used to account for acquisition or construction of major capital facilities financed mainly with governmental fund resources, general obligation debt, special assessments, special assessment debt, grants or other resources that are not part of Proprietary Funds or Trust Funds.

CITY OF ANDOVER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

Statement 16

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds	
				2025	2024
Assets:					
Cash and investments	\$ 1,641,777	\$ 5,149,826	\$ 10,950,052	\$ 17,741,655	\$ 14,959,651
Accrued interest	12,907	27,014	91,669	131,590	100,231
Accounts receivable - net	22,561	-	-	22,561	12,577
Prepaid items	-	-	30,489	30,489	-
Property taxes receivable:					
Unremitted	373	37,347	5,148	42,868	44,803
Delinquent	523	34,197	5,357	40,077	30,543
Special assessments receivable:					
Deferred	-	-	96,503	96,503	85,439
Total assets	<u>\$ 1,678,141</u>	<u>\$ 5,248,384</u>	<u>\$ 11,179,218</u>	<u>\$ 18,105,743</u>	<u>\$ 15,233,244</u>
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$ 7,041	\$ -	\$ 1,683	\$ 8,724	\$ 209,973
Contracts payable	53,597	-	-	53,597	22,430
Deposits payable	-	-	27,722	27,722	25,733
Due to other governmental units	46	-	-	46	933
Salaries payable	1,781	-	-	1,781	1,627
Unearned revenue	174,335	-	-	174,335	140,149
Total liabilities	<u>236,800</u>	<u>-</u>	<u>29,405</u>	<u>266,205</u>	<u>400,845</u>
Deferred inflows of resources:					
Unavailable revenues	<u>523</u>	<u>34,197</u>	<u>101,860</u>	<u>136,580</u>	<u>115,982</u>
Fund balance:					
Nonspendable	-	-	30,489	30,489	-
Restricted	533,138	5,214,187	1,469,460	7,216,785	7,045,213
Committed	856,617	-	-	856,617	610,953
Assigned	51,063	-	9,548,004	9,599,067	7,060,251
Total fund balance	<u>1,440,818</u>	<u>5,214,187</u>	<u>11,047,953</u>	<u>17,702,958</u>	<u>14,716,417</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,678,141</u>	<u>\$ 5,248,384</u>	<u>\$ 11,179,218</u>	<u>\$ 18,105,743</u>	<u>\$ 15,233,244</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 17

	Special Revenue	Debt Service	Capital Projects	Totals	
				Nonmajor Governmental Funds	
				2025	2024
Revenues:					
General property taxes	\$ 39,403	\$ 4,850,958	\$ 666,482	\$ 5,556,843	\$ 4,582,919
Intergovernmental	255,105	-	-	255,105	197,563
Special assessments	-	-	3,526	3,526	3,525
Charges for services	95,534	-	-	95,534	92,881
Investment income	60,010	101,008	466,165	627,183	523,505
Miscellaneous:					
Park dedication fees	-	-	1,459,249	1,459,249	605,701
Other	123,547	-	375,379	498,926	362,367
Total revenues	573,599	4,951,966	2,970,801	8,496,366	6,368,461
Expenditures:					
Current:					
General government	89,839	-	35,346	125,185	305,680
Public safety	-	-	104,419	104,419	199,509
Public works	107,563	-	54,338	161,901	205,737
Parks and recreation	-	-	44,217	44,217	1,710
Economic development	204,903	-	-	204,903	62,409
Capital outlay	1,250	-	2,160,629	2,161,879	775,948
Debt service:					
Principal retirement	-	2,980,000	-	2,980,000	3,240,000
Interest	-	1,306,658	-	1,306,658	1,162,366
Paying agent fees	-	6,450	-	6,450	6,250
Professional service	-	-	-	-	9,000
Total expenditures	403,555	4,293,108	2,398,949	7,095,612	5,968,609
Revenues over (under) expenditures	170,044	658,858	571,852	1,400,754	399,852
Other financing sources (uses):					
Transfers in	250,000	854,407	750,000	1,854,407	1,649,759
Transfers out	(10,100)	-	(309,107)	(319,207)	(1,018,759)
Bonds issued	-	-	-	-	1,155,000
Bond premium	-	-	-	-	52,730
Proceeds from sale of capital assets	-	-	50,587	50,587	25,059
Total other financing sources (uses)	239,900	854,407	491,480	1,585,787	1,863,789
Net increase (decrease) in fund balance	409,944	1,513,265	1,063,332	2,986,541	2,263,641
Fund balance - January 1	1,030,874	3,700,922	9,984,621	14,716,417	12,452,776
Fund balance - December 31	\$ 1,440,818	\$ 5,214,187	\$ 11,047,953	\$ 17,702,958	\$ 14,716,417

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NONMAJOR SPECIAL REVENUE FUNDS

The City of Andover had the following Special Revenue Funds during the year:

EDA General - This fund was established to account for activities designed to promote quality economic development within the community.

LAHA – Local Affordable Housing Aid – This fund was established to account for the development and preservation of affordable housing to keep families from losing housing and to help those experiencing homelessness find housing.

Drainage and Mapping - This fund accounts for resources necessary to maintain existing maps and developing new maps and mapping systems for the City.

LRRWMO - This fund is used to account for the City's involvement with the Lower Rum River Watershed Management Organization (LRRWMO).

Forestry - This fund was established to account for the protection of forest resources and the development of control plans to ensure preservation or restoration of these resources.

Right-of-Way Management/Utility - This fund is used to account for activity associated with the management of the public right-of-way.

Charitable Gambling - This fund accounts for the 10% of net profits received from gambling activities by local non-profit organizations. According to state statute, all expenditures from this fund must be for public services and police, fire and other emergency or public safety-related services, equipment, and training, excluding pension obligations.

Crack Seal & Pavement Seal - This fund accounts for the contributions associated with land development to be used for the respective developments first application of crack seal and pavement seal.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

	EDA General	LAHA	Drainage and Mapping
Assets:			
Cash and investments	\$ 334,115	\$ 266,362	\$ 222,538
Accrued interest	2,179	1,890	1,970
Accounts receivable - net	20,102	-	-
Property taxes receivable:			
Unremitted	-	-	-
Delinquent	-	-	-
Total assets	<u>\$ 356,396</u>	<u>\$ 268,252</u>	<u>\$ 224,508</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$ 6,784	\$ -	\$ -
Contracts payable	-	53,597	-
Due to other governmental units	46	-	-
Salaries payable	-	-	369
Unearned revenue	-	-	-
Total liabilities	<u>6,830</u>	<u>53,597</u>	<u>369</u>
Deferred inflows of resources:			
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted	-	214,655	-
Committed	349,566	-	224,139
Assigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>349,566</u>	<u>214,655</u>	<u>224,139</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 356,396</u>	<u>\$ 268,252</u>	<u>\$ 224,508</u>

LRRWMO	Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Crack Seal & Pavement Seal	Totals	
					Nonmajor Special Revenue Funds	
					2025	2024
\$ 107,947	\$ 3,819	\$ 155,150	\$ 362,667	\$ 189,179	\$ 1,641,777	\$ 1,189,536
830	-	1,355	3,060	1,623	12,907	9,459
-	-	2,459	-	-	22,561	12,577
373	-	-	-	-	373	498
523	-	-	-	-	523	465
<u>\$ 109,673</u>	<u>\$ 3,819</u>	<u>\$ 158,964</u>	<u>\$ 365,727</u>	<u>\$ 190,802</u>	<u>\$ 1,678,141</u>	<u>\$ 1,212,535</u>
\$ -	\$ -	\$ 257	\$ -	\$ -	\$ 7,041	\$ 39,420
-	-	-	-	-	53,597	1,627
-	-	-	-	-	46	-
441	-	971	-	-	1,781	-
-	-	-	-	174,335	174,335	140,149
441	-	1,228	-	174,335	236,800	181,196
523	-	-	-	-	523	465
-	708	-	317,775	-	533,138	384,115
108,709	-	157,736	-	16,467	856,617	610,953
-	3,111	-	47,952	-	51,063	35,806
<u>108,709</u>	<u>3,819</u>	<u>157,736</u>	<u>365,727</u>	<u>16,467</u>	<u>1,440,818</u>	<u>1,030,874</u>
<u>\$ 109,673</u>	<u>\$ 3,819</u>	<u>\$ 158,964</u>	<u>\$ 365,727</u>	<u>\$ 190,802</u>	<u>\$ 1,678,141</u>	<u>\$ 1,212,535</u>

CITY OF ANDOVER, MINNESOTA**SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES****AND CHANGES IN FUND BALANCES****NONMAJOR SPECIAL REVENUE FUNDS**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	EDA General	LAHA	Drainage and Mapping
Revenues:			
General property taxes	\$ -	\$ -	\$ -
Intergovernmental	-	255,105	-
Charges for services	10,104	-	32,596
Investment income	8,170	8,830	9,378
Miscellaneous:			
Other	-	-	-
Total revenues	18,274	263,935	41,974
Expenditures:			
Current:			
General government	-	-	-
Public works	-	-	20,729
Economic development	56,283	148,620	-
Capital outlay	-	-	840
Total expenditures	56,283	148,620	21,569
Revenues over (under) expenditures	(38,009)	115,315	20,405
Other financing sources (uses):			
Transfers in	250,000	-	-
Transfers out	-	-	-
Total other financing sources (uses)	250,000	-	-
Net increase (decrease) in fund balance	211,991	115,315	20,405
Fund balance - January 1	137,575	99,340	203,734
Fund balance - December 31	\$ 349,566	\$ 214,655	\$ 224,139

LRRWMO	Forestry	Right-of-Way Management/ Utility	Charitable Gambling	Crack Seal & Pavement Seal	Totals	
					Nonmajor Special Revenue Funds	
					2025	2024
\$ 39,403	\$ -	\$ -	\$ -	\$ -	\$ 39,403	\$ 39,531
-	-	-	-	-	255,105	108,020
-	-	43,799	-	9,035	95,534	92,881
4,262	147	6,329	15,110	7,784	60,010	50,343
-	-	-	123,547	-	123,547	129,402
43,665	147	50,128	138,657	16,819	573,599	420,177
-	-	-	89,839	-	89,839	101,780
41,348	-	36,452	-	9,034	107,563	105,880
-	-	-	-	-	204,903	62,409
-	-	410	-	-	1,250	-
41,348	-	36,862	89,839	9,034	403,555	270,069
2,317	147	13,266	48,818	7,785	170,044	150,108
-	-	-	-	-	250,000	-
-	-	(10,100)	-	-	(10,100)	(8,000)
-	-	(10,100)	-	-	239,900	(8,000)
2,317	147	3,166	48,818	7,785	409,944	142,108
106,392	3,672	154,570	316,909	8,682	1,030,874	888,766
\$ 108,709	\$ 3,819	\$ 157,736	\$ 365,727	\$ 16,467	\$ 1,440,818	\$ 1,030,874

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NONMAJOR DEBT SERVICE FUNDS

The City's Debt Service Funds account for four types of bonded indebtedness:

- Certificates of Indebtedness
- Capital Improvement Plan Bonds
- Abatement Bonds
- Street Reconstruction Bonds

Certificates of Indebtedness - (G.O. Equipment Certificates - 2021A and 2024A) are repaid primarily from general property taxes.

Capital Improvement Plan Bonds – (G.O. Capital Improvement Plan Bonds of 2018A) are repaid primarily from general property taxes.

Abatement Bonds - (G.O. Abatement Bonds of 2012C and 2019A) are repaid from annual lease payments from the YMCA, Community Center operations and general property tax.

Street Reconstruction Bonds – (G.O. Street Reconstruction Bonds of 2021A and 2024A) are repaid primarily from general property taxes.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

	G.O. Equipment Certificate 2021A	G.O. Equipment Certificate 2024A	G.O. Capital Improvement Plan Bonds 2018A
Assets:			
Cash and investments	\$ 199,643	\$ 423,130	\$ 681,548
Accrued interest	-	2,140	3,826
Property taxes receivable:			
Unremitted	1,352	3,444	4,722
Delinquent	1,238	3,153	4,324
Total assets	<u>\$ 202,233</u>	<u>\$ 431,867</u>	<u>\$ 694,420</u>
Deferred Inflows of Resources and Fund Balance			
Deferred inflows of resources:			
Unavailable revenues	1,238	3,153	4,324
Fund balance:			
Restricted	<u>200,995</u>	<u>428,714</u>	<u>690,096</u>
Total deferred inflows of resources, and fund balance	<u>\$ 202,233</u>	<u>\$ 431,867</u>	<u>\$ 694,420</u>

G.O. Abatement Bonds 2012C	G.O. Abatement Bonds 2019A	G.O. Street Reconstruction Bonds 2021A	G.O. Street Reconstruction Bonds 2024A	Totals	
				Nonmajor Debt Service Funds	
				2025	2024
\$ 642,906	\$ 1,254,160	\$ 1,162,479	\$ 785,960	\$ 5,149,826	\$ 3,642,166
2,239	7,459	8,159	3,191	27,014	21,056
7,420	7,791	4,967	7,651	37,347	37,700
6,795	7,133	4,548	7,006	34,197	25,233
<u>\$ 659,360</u>	<u>\$ 1,276,543</u>	<u>\$ 1,180,153</u>	<u>\$ 803,808</u>	<u>\$ 5,248,384</u>	<u>\$ 3,726,155</u>
6,795	7,133	4,548	7,006	34,197	25,233
<u>652,565</u>	<u>1,269,410</u>	<u>1,175,605</u>	<u>796,802</u>	<u>5,214,187</u>	<u>3,700,922</u>
<u>\$ 659,360</u>	<u>\$ 1,276,543</u>	<u>\$ 1,180,153</u>	<u>\$ 803,808</u>	<u>\$ 5,248,384</u>	<u>\$ 3,726,155</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

	G.O. Equipment Certificate 2021A	G.O. Equipment Certificate 2024A	G.O. Capital Improvement Plan Bonds 2018A
Revenues:			
General property taxes	\$ 175,626	\$ 447,230	\$ 613,453
Investment income	1,575	5,597	15,203
Total revenues	177,201	452,827	628,656
Expenditures:			
Debt service:			
Principal retirement	160,000	-	315,000
Interest	4,900	33,848	303,881
Paying agent fees	660	410	1,370
Professional services	-	-	-
Total expenditures	165,560	34,258	620,251
Revenues over (under) expenditures	11,641	418,569	8,405
Other financing sources (uses):			
Transfers in	-	-	45,300
Transfers out	-	-	-
Total other financing sources (uses)	-	-	45,300
Net increase (decrease) in fund balance	11,641	418,569	53,705
Fund balance - January 1	189,354	10,145	636,391
Fund balance - December 31	\$ 200,995	\$ 428,714	\$ 690,096

G.O. Abatement Bonds 2012C	G.O. Abatement Bonds 2019A	G.O. Street Reconstruction Bonds 2021A	G.O. Street Reconstruction Bonds 2024A	Totals	
				Nonmajor Debt Service Funds	
				2025	2024
\$ 963,849 2,961	\$ 1,011,822 30,420	\$ 645,140 34,365	\$ 993,838 10,887	\$ 4,850,958 101,008	\$ 3,874,800 88,924
966,810	1,042,242	679,505	1,004,725	4,951,966	3,963,724
1,005,000	630,000	870,000	-	2,980,000	3,240,000
204,356	476,900	75,260	207,513	1,306,658	1,162,366
1,370	1,570	660	410	6,450	6,250
-	-	-	-	-	9,000
1,210,726	1,108,470	945,920	207,923	4,293,108	4,417,616
(243,916)	(66,228)	(266,415)	796,802	658,858	(453,892)
300,000	159,107	350,000	-	854,407	845,300
-	-	-	-	-	(509,759)
300,000	159,107	350,000	-	854,407	335,541
56,084	92,879	83,585	796,802	1,513,265	(118,351)
596,481	1,176,531	1,092,020	-	3,700,922	3,819,273
\$ 652,565	\$ 1,269,410	\$ 1,175,605	\$ 796,802	\$ 5,214,187	\$ 3,700,922

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NONMAJOR CAPITAL PROJECTS FUNDS

The City of Andover had the following Capital Projects Funds during the year:

Park Dedication - This fund was established to account for contributions associated with land development to be used for constructing and upgrading the City's park system.

Building Fund - This fund was established to account for miscellaneous building improvements for all facilities.

Trail and Transportation - This fund is used to account for contributions associated with land development to be used for constructing and upgrading the City's trail system.

Capital Equipment Reserve - This fund is used to account for the capital equipment/projects levy and the various capital expenditures it will be used for.

Equipment Certificates 2024A - This fund was established to account for the purchase of capital equipment that was financed through the issuance of capital notes.

Permanent Improvement Revolving - This fund serves as a long-term funding source for large capital improvement expenditures.

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

	Park Dedication	Building Fund	Trail & Transportation
Assets:			
Cash and investments	\$ 3,427,978	\$ 858,850	\$ 1,493,712
Accrued interest	30,098	7,139	13,336
Prepaid items	-	30,489	-
Property taxes receivable:			
Unremitted	119	2,719	-
Delinquent	121	2,779	-
Special assessments receivable:			
Deferred	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,458,316</u>	<u>\$ 901,976</u>	<u>\$ 1,507,048</u>
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,534
Contracts payable	-	-	-
Deposits payable	-	-	-
Due to other government units	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>1,534</u>
Deferred inflows of resources:			
Unavailable revenues	121	2,779	-
	<u>121</u>	<u>2,779</u>	<u>-</u>
Fund balance:			
Nonspendable	-	30,489	-
Restricted	-	-	-
Assigned	3,458,195	868,708	1,505,514
	<u>3,458,195</u>	<u>868,708</u>	<u>1,505,514</u>
Total fund balance	<u>3,458,195</u>	<u>899,197</u>	<u>1,505,514</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,458,316</u>	<u>\$ 901,976</u>	<u>\$ 1,507,048</u>

Statement 22

Capital Equipment Reserve	Equipment Certificates 2024A	Permanent Improvement Revolving	Totals	
			Nonmajor Capital Projects Funds	
			2025	2024
\$ 4,687,187	\$ 127,859	\$ 354,466	\$ 10,950,052	\$ 10,127,949
37,843	-	3,253	91,669	69,716
-	-	-	30,489	-
2,310	-	-	5,148	6,605
2,457	-	-	5,357	4,845
-	-	96,503	96,503	85,439
<u>\$ 4,729,797</u>	<u>\$ 127,859</u>	<u>\$ 454,222</u>	<u>\$ 11,179,218</u>	<u>\$ 10,294,554</u>
\$ 149	\$ -	\$ -	\$ 1,683	\$ 170,553
-	-	-	-	22,430
27,722	-	-	27,722	25,733
-	-	-	-	933
<u>27,871</u>	<u>-</u>	<u>-</u>	<u>29,405</u>	<u>219,649</u>
<u>2,457</u>	<u>-</u>	<u>96,503</u>	<u>101,860</u>	<u>90,284</u>
-	-	-	30,489	-
1,341,601	127,859	-	1,469,460	2,960,176
3,357,868	-	357,719	9,548,004	7,024,445
<u>4,699,469</u>	<u>127,859</u>	<u>357,719</u>	<u>11,047,953</u>	<u>9,984,621</u>
<u>\$ 4,729,797</u>	<u>\$ 127,859</u>	<u>\$ 454,222</u>	<u>\$ 11,179,218</u>	<u>\$ 10,294,554</u>

CITY OF ANDOVER, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

	Park Dedication	Building Fund	Trail & Transportation
Revenues:			
General property taxes	\$ 15,392	\$ 352,471	\$ -
Intergovernmental	-	-	-
Special assessments	-	-	-
Investment income	140,044	34,898	66,541
Miscellaneous:			
Park dedication fees	1,459,249	-	-
Other	15,418	-	302,356
Total revenues	1,630,103	387,369	368,897
Expenditures:			
Current:			
General government	-	19,921	-
Public safety	-	-	-
Public works	-	-	43,934
Parks and recreation	44,217	-	-
Capital outlay	289,009	223,970	86,420
Total expenditures	333,226	243,891	130,354
Revenues over (under) expenditures	1,296,877	143,478	238,543
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(159,107)	-	-
Bonds issued	-	-	-
Bond premium	-	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	(159,107)	-	-
Net increase (decrease) in fund balance	1,137,770	143,478	238,543
Fund balance - January 1	2,320,425	755,719	1,266,971
Fund balance - December 31	\$ 3,458,195	\$ 899,197	\$ 1,505,514

Statement 23

Capital Equipment Reserve	Equipment Certificates 2024A	Permanent Improvement Revolving	Totals	
			Nonmajor Capital Projects Funds	
			2025	2024
\$ 298,619	\$ -	\$ -	\$ 666,482	\$ 668,588
-	-	-	-	89,543
-	-	3,526	3,526	3,525
178,635	32,364	13,683	466,165	384,238
-	-	-	1,459,249	605,701
57,605	-	-	375,379	232,965
534,859	32,364	17,209	2,970,801	1,984,560
15,425	-	-	35,346	203,900
104,419	-	-	104,419	199,509
10,404	-	-	54,338	99,857
-	-	-	44,217	1,710
233,769	1,327,461	-	2,160,629	775,948
364,017	1,327,461	-	2,398,949	1,280,924
170,842	(1,295,097)	17,209	571,852	703,636
750,000	-	-	750,000	804,459
-	-	(150,000)	(309,107)	(501,000)
-	-	-	-	1,155,000
-	-	-	-	52,730
50,587	-	-	50,587	25,059
800,587	-	(150,000)	491,480	1,536,248
971,429	(1,295,097)	(132,791)	1,063,332	2,239,884
3,728,040	1,422,956	490,510	9,984,621	7,744,737
\$ 4,699,469	\$ 127,859	\$ 357,719	\$ 11,047,953	\$ 9,984,621

CITY OF ANDOVER, MINNESOTA
SPECIAL REVENUE FUND - EDA GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2025
With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 24

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
Charges for services	\$ 15,000	\$ 15,000	\$ 10,104	\$ (4,896)	\$ 24,096
Investment income	2,000	2,000	8,170	6,170	6,690
Miscellaneous	-	-	-	-	695
Total revenues	17,000	17,000	18,274	1,274	31,481
Expenditures:					
Current:					
Economic development	108,766	108,766	56,283	52,483	62,409
Revenues over (under) expenditures	(91,766)	(91,766)	(38,009)	53,757	(30,928)
Other financing sources (uses):					
Transfers in	-	250,000	250,000	-	-
Net increase (decrease) in fund balance	<u>\$ (91,766)</u>	<u>\$ 158,234</u>	211,991	<u>\$ 53,757</u>	(30,928)
Fund balance - January 1			137,575		168,503
Fund balance - December 31			<u>\$ 349,566</u>		<u>\$ 137,575</u>

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - LAHA****Statement 25****SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
Intergovernmental	\$ 100,000	\$ 100,000	\$ 255,105	\$ 155,105	\$ 98,152
Investment income	-	-	8,830	8,830	1,188
Total revenues	100,000	100,000	263,935	163,935	99,340
Expenditures:					
Current:					
Economic development	100,000	100,000	148,620	(48,620)	-
Net increase (decrease) in fund balance	\$ -	\$ -	115,315	\$ 115,315	99,340
Fund balance - January 1			99,340		-
Fund balance - December 31			\$ 214,655		\$ 99,340

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - DRAINAGE AND MAPPING****Statement 26****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
Charges for services	\$ 10,000	\$ 10,000	\$ 32,596	\$ 22,596	\$ 12,848
Investment income	1,500	1,500	9,378	7,878	9,615
Total revenues	11,500	11,500	41,974	30,474	22,463
Expenditures:					
Current:					
Public works	27,897	27,057	20,729	6,328	16,556
Capital outlay	-	840	840	-	-
Total expenditures	27,897	27,897	21,569	6,328	16,556
Net increase (decrease) in fund balance	\$ (16,397)	\$ (16,397)	20,405	\$ 36,802	5,907
Fund balance - January 1			203,734		197,827
Fund balance - December 31			\$ 224,139		\$ 203,734

CITY OF ANDOVER, MINNESOTA

SPECIAL REVENUE FUND - LRRWMO

Statement 27**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
General property taxes	\$ 40,000	\$ 40,000	\$ 39,403	\$ (597)	\$ 39,531
Investment income	750	750	4,262	3,512	4,349
Total revenues	40,750	40,750	43,665	2,915	43,880
Expenditures:					
Current:					
Public works	42,629	42,629	41,348	1,281	39,891
Net increase (decrease) in fund balance	<u>\$ (1,879)</u>	<u>\$ (1,879)</u>	2,317	<u>\$ 4,196</u>	3,989
Fund balance - January 1			<u>106,392</u>		<u>102,403</u>
Fund balance - December 31			<u>\$ 108,709</u>		<u>\$ 106,392</u>

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - FORESTRY****Statement 28****SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
Intergovernmental	\$ 12,500	\$ 12,500	\$ -	\$ (12,500)	\$ 9,868
Investment income	-	-	147	147	(30)
Total revenues	12,500	12,500	147	(12,353)	9,838
Expenditures:					
Current:					
Public works	12,500	12,500	-	12,500	9,160
Net increase (decrease) in fund balance	\$ -	\$ -	147	\$ 147	678
Fund balance - January 1			3,672		2,994
Fund balance - December 31			\$ 3,819		\$ 3,672

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - RIGHT-OF-WAY MANAGEMENT/UTILITY****Statement 29****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive (Negative)	2024
	Original	Final	Actual		Actual
Revenues:					
Charges for services	\$ 35,000	\$ 35,000	\$ 43,799	\$ 8,799	\$ 44,067
Investment income	1,000	1,000	6,329	5,329	6,937
Total revenues	36,000	36,000	50,128	14,128	51,004
Expenditures:					
Current:					
Public works	37,181	36,771	36,452	319	28,403
Capital outlay	-	410	410	-	-
Total expenditures	37,181	37,181	36,862	319	28,403
Revenue over (under) expenditures	(1,181)	(1,181)	13,266	13,809	22,601
Other financing sources (uses):					
Transfers out	(10,100)	(10,100)	(10,100)	-	(8,000)
Net increase (decrease) in fund balance	<u>\$ (11,281)</u>	<u>\$ (11,281)</u>	3,166	<u>\$ 13,809</u>	14,601
Fund balance - January 1			154,570		139,969
Fund balance - December 31			<u>\$ 157,736</u>		<u>\$ 154,570</u>

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - CHARITABLE GAMBLING****Statement 30****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with Final Budget - Positive	2024
	Original	Final	Actual	(Negative)	Actual
Revenues:					
Investment income	\$ 2,500	\$ 2,500	\$ 15,110	\$ 12,610	\$ 14,714
Miscellaneous	43,900	43,900	123,547	79,647	128,707
Total revenues	46,400	46,400	138,657	92,257	143,421
Expenditures:					
Current:					
General government	43,900	43,900	89,839	(45,939)	101,780
Net increase (decrease) in fund balance	\$ 2,500	\$ 2,500	48,818	\$ 46,318	41,641
Fund balance - January 1			316,909		275,268
Fund balance - December 31			\$ 365,727		\$ 316,909

CITY OF ANDOVER, MINNESOTA**SPECIAL REVENUE FUND - CRACK SEAL & PAVEMENT SEAL****Statement 31****SCHEDULE OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Budgeted Amounts		2025	Variance with	2024
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
Revenues:					
Charges for services	\$ 10,000	\$ 10,000	\$ 9,035	\$ (965)	\$ 11,870
Investment income	1,500	1,500	7,784	6,284	6,880
Total revenues	11,500	11,500	16,819	5,319	18,750
Expenditures:					
Current:					
Public works	10,000	10,000	9,034	966	11,870
Net increase (decrease) in fund balance	<u>\$ 1,500</u>	<u>\$ 1,500</u>	7,785	<u>\$ 6,285</u>	6,880
Fund balance - January 1			8,682		1,802
Fund balance - December 31			<u>\$ 16,467</u>		<u>\$ 8,682</u>

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. The City of Andover had the following Internal Service Funds during the year:

Central Equipment Maintenance – This fund accounts for the maintenance of the equipment for the City.

Risk Management – This fund accounts for the expenditures in payment of insurance deductibles, loss reduction, safety training and administrative expense.

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2025
With Comparative Totals For December 31, 2024

Statement 32

	Central Equipment Maintenance	Risk Management	Totals	
			2025	2024
Assets:				
Current assets:				
Cash and cash equivalents	\$ 831,056	\$ 589,567	\$ 1,420,623	\$ 1,224,647
Accrued interest	7,637	6,955	14,592	11,120
Prepaid items	-	335,352	335,352	235,840
Inventories - at cost	148,289	-	148,289	139,070
Total assets	<u>986,982</u>	<u>931,874</u>	<u>1,918,856</u>	<u>1,610,677</u>
Liabilities:				
Current liabilities:				
Accounts payable	29,979	468	30,447	48,436
Due to other governmental units	190	144	334	100
Salaries payable	16,948	947	17,895	14,882
Total liabilities	<u>47,117</u>	<u>1,559</u>	<u>48,676</u>	<u>63,418</u>
Net position:				
Unrestricted	<u>\$ 939,865</u>	<u>\$ 930,315</u>	<u>\$ 1,870,180</u>	<u>\$ 1,547,259</u>

CITY OF ANDOVER, MINNESOTA**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS**

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

Statement 33

	Central Equipment Maintenance	Risk Management	Totals	
			2025	2024
Operating revenues:				
User charges	\$ 1,175,380	\$ 806,024	\$ 1,981,404	\$ 1,890,353
Other	73	14,372	14,445	33,243
Total operating revenues	<u>1,175,453</u>	<u>820,396</u>	<u>1,995,849</u>	<u>1,923,596</u>
Operating expenses:				
Personal services	426,179	261,734	687,913	668,247
Supplies	357,292	-	357,292	356,840
Other service charges	187,986	504,957	692,943	614,833
Total operating expenses	<u>971,457</u>	<u>766,691</u>	<u>1,738,148</u>	<u>1,639,920</u>
Operating income (loss)	203,996	53,705	257,701	283,676
Nonoperating revenues (expenses):				
Investment income	<u>36,876</u>	<u>28,344</u>	<u>65,220</u>	<u>53,748</u>
Change in net position	240,872	82,049	322,921	337,424
Net position - January 1	<u>698,993</u>	<u>848,266</u>	<u>1,547,259</u>	<u>1,209,835</u>
Net position - December 31	<u>\$ 939,865</u>	<u>\$ 930,315</u>	<u>\$ 1,870,180</u>	<u>\$ 1,547,259</u>

CITY OF ANDOVER, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

Statement 34

For The Year Ended December 31, 2025

With Comparative Actual Amounts For The Year Ended December 31, 2024

	Central Equipment Maintenance	Risk Management	Totals	
			2025	2024
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,175,453	\$ 820,396	\$ 1,995,849	\$ 1,932,078
Payment to suppliers	(570,099)	(606,622)	(1,176,721)	(932,798)
Payment to employees	(423,292)	(261,608)	(684,900)	(665,523)
Net cash flows from operating activities	182,062	(47,834)	134,228	333,757
Cash flows from investing activities:				
Investment income	34,639	27,109	61,748	49,575
Net increase (decrease) in cash and cash equivalents	216,701	(20,725)	195,976	383,332
Cash and cash equivalents - January 1	614,355	610,292	1,224,647	841,315
Cash and cash equivalents - December 31	<u>\$ 831,056</u>	<u>\$ 589,567</u>	<u>\$ 1,420,623</u>	<u>\$ 1,224,647</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 203,996</u>	<u>\$ 53,705</u>	<u>\$ 257,701</u>	<u>\$ 283,676</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	-	-	-	8,482
Decrease (increase) in prepaid items	-	(99,512)	(99,512)	3,447
Decrease (increase) in inventory	(9,219)	-	(9,219)	2,902
Increase (decrease) in accounts payable	(15,692)	(2,297)	(17,989)	32,426
Increase (decrease) in due to other governmental units	90	144	234	100
Increase (decrease) in salaries payable	2,887	126	3,013	2,724
Total adjustments	<u>(21,934)</u>	<u>(101,539)</u>	<u>(123,473)</u>	<u>50,081</u>
Net cash provided (used) by operating activities	<u>\$ 182,062</u>	<u>\$ (47,834)</u>	<u>\$ 134,228</u>	<u>\$ 333,757</u>

III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Andover's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Table Number

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 – 4

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.

5 – 10

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

11 – 15

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City of Andover's financial activities take place.

16 – 17

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

18 – 20

CITY OF ANDOVER, MINNESOTA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	\$ 99,539,838	\$ 101,602,647	\$ 103,577,524	\$ 106,637,436
Restricted	5,787,072	4,935,375	5,081,230	5,294,610
Unrestricted	<u>26,085,240</u>	<u>27,673,920</u>	<u>28,319,303</u>	<u>30,608,612</u>
Total governmental activities net position	<u>131,412,150</u>	<u>134,211,942</u>	<u>136,978,057</u>	<u>142,540,658</u>
Business-Type Activities				
Net investment in capital assets	37,531,815	37,174,817	37,068,699	38,547,614
Unrestricted	<u>7,652,339</u>	<u>8,446,942</u>	<u>9,825,681</u>	<u>9,982,550</u>
Total business-type activities net position	<u>45,184,154</u>	<u>45,621,759</u>	<u>46,894,380</u>	<u>48,530,164</u>
Primary Government				
Net investment in capital assets	137,071,653	138,777,464	140,646,223	145,185,050
Restricted	5,787,072	4,935,375	5,081,230	5,294,610
Unrestricted	<u>33,737,579</u>	<u>36,120,862</u>	<u>38,144,984</u>	<u>40,591,162</u>
Total primary government net position	<u>\$ 176,596,304</u>	<u>\$ 179,833,701</u>	<u>\$ 183,872,437</u>	<u>\$ 191,070,822</u>

Table 1

2020	2021	2022	2023	2024	2025
\$ 114,441,287	\$ 122,711,274	\$ 121,031,484	\$ 119,404,608	\$ 122,898,831	\$ 128,559,801
3,851,631	4,465,945	5,088,833	6,922,836	6,506,432	7,728,023
35,974,899	31,381,535	36,443,925	42,035,360	44,068,335	49,481,655
154,267,817	158,558,754	162,564,242	168,362,804	173,473,598	185,769,479
40,342,053	43,517,002	44,098,814	46,995,780	51,927,057	52,878,790
11,023,179	11,463,122	12,286,201	13,125,199	14,559,275	15,556,772
51,365,232	54,980,124	56,385,015	60,120,979	66,486,332	68,435,562
154,783,340	166,228,276	165,130,298	166,400,388	174,825,888	181,438,591
3,851,631	4,465,945	5,088,833	6,922,836	6,506,432	7,728,023
46,998,078	42,844,657	48,730,126	55,160,559	58,627,610	65,038,427
<u>\$ 205,633,049</u>	<u>\$ 213,538,878</u>	<u>\$ 218,949,257</u>	<u>\$ 228,483,783</u>	<u>\$ 239,959,930</u>	<u>\$ 254,205,041</u>

CITY OF ANDOVER, MINNESOTA

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	\$ 2,904,102	\$ 2,937,380	\$ 3,209,512	\$ 3,159,045
Public safety	5,140,347	5,167,930	5,263,071	5,426,472
Public works	3,905,703	5,428,350	4,257,014	5,939,704
Parks and recreation	3,321,814	3,385,001	3,321,793	3,507,705
Recycling	133,614	169,100	206,335	231,625
Economic development	411,958	1,098,300	249,669	202,182
Interest on long-term debt	437,513	403,200	377,314	917,913
Total governmental activities expenses	16,255,051	18,589,261	16,884,708	19,384,646
Business-type activities:				
Water	2,454,931	2,263,748	2,306,013	2,280,247
Sewer	2,128,814	2,190,453	2,175,331	2,289,555
Storm sewer	546,526	684,708	614,816	737,854
Total business-type activities expenses	5,130,271	5,138,909	5,096,160	5,307,656
Total primary government expenses	<u>\$ 21,385,322</u>	<u>\$ 23,728,170</u>	<u>\$ 21,980,868</u>	<u>\$ 24,692,302</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,124,665	\$ 925,639	\$ 647,452	\$ 909,139
Public safety	832,412	680,729	721,078	1,091,260
Public works	661,788	334,273	331,620	357,231
Parks and recreation	1,521,585	1,465,562	1,504,647	1,677,991
Recycling	42,768	43,062	49,453	44,099
Economic development	174,754	461,294	87,891	96,176
Operating grants and contributions	992,194	1,186,721	1,407,217	1,662,842
Capital grants and contributions	2,703,429	3,414,161	1,608,129	4,950,131
Total governmental activities program revenue	9,053,595	8,511,441	6,357,487	10,788,869
Business-type activities:				
Charges for services:				
Water	2,575,920	2,716,239	3,061,920	2,756,944
Sewer	2,144,794	2,301,077	2,325,456	2,329,462
Storm sewer	464,928	499,974	537,422	564,154
Operating grants and contributions	2,681	-	-	-
Capital grants and contributions	2,670,641	481,343	504,267	712,976
Total business-type activities program revenue	7,858,964	5,998,633	6,429,065	6,363,536
Total primary government program revenues	<u>16,912,559</u>	<u>14,510,074</u>	<u>12,786,552</u>	<u>17,152,405</u>
Net (Expense)/Revenue				
Governmental activities	(7,201,456)	(10,077,820)	(10,527,221)	(8,595,777)
Business-type activities	2,728,693	859,724	1,332,905	1,055,880
Total primary government net expense	<u>\$ (4,472,763)</u>	<u>\$ (9,218,096)</u>	<u>\$ (9,194,316)</u>	<u>\$ (7,539,897)</u>

Table 2
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2020	2021	2022	2023	2024	2025
\$ 3,193,326	\$ 3,202,342	\$ 3,832,215	\$ 3,758,496	\$ 3,818,742	\$ 3,610,502
6,002,090	5,814,286	6,245,503	6,231,734	6,841,933	7,523,362
4,964,909	4,726,280	8,393,927	10,889,133	11,477,093	10,911,941
3,997,558	4,676,676	5,312,290	5,285,236	5,647,345	5,483,589
234,475	245,755	180,188	184,028	192,033	204,543
4,240,712	293,594	677,828	306,754	865,810	499,744
1,226,839	1,184,349	1,191,104	1,206,611	1,044,892	1,372,176
23,859,909	20,143,282	25,833,055	27,861,992	29,887,848	29,605,857
2,449,287	2,546,637	2,743,148	3,243,050	3,413,519	3,181,460
2,454,250	2,435,302	2,581,604	2,868,295	3,067,994	3,191,984
617,883	611,579	669,468	763,177	764,334	861,357
5,521,420	5,593,518	5,994,220	6,874,522	7,245,847	7,234,801
\$ 29,381,329	\$ 25,736,800	\$ 31,827,275	\$ 34,736,514	\$ 37,133,695	\$ 36,840,658
\$ 757,188	\$ 2,241,593	\$ 2,114,479	\$ 1,166,194	\$ 1,225,804	\$ 1,638,254
1,154,232	1,078,065	1,251,620	1,078,354	1,090,745	1,383,431
296,533	279,191	324,440	361,824	317,789	748,382
1,301,624	2,068,652	2,073,350	2,271,023	2,355,294	2,422,509
48,705	70,003	50,925	53,879	48,647	30,616
126,596	233,312	179,029	122,059	117,762	60,930
3,453,564	1,242,650	3,214,092	2,793,283	6,325,585	3,826,466
12,006,951	2,112,499	5,156,356	5,876,602	7,494,570	7,716,885
19,145,393	9,325,965	14,364,291	13,723,218	18,976,196	17,827,473
3,349,237	3,806,408	3,683,763	4,263,197	3,800,391	3,949,845
2,355,039	2,395,512	2,497,153	2,643,592	2,827,304	2,942,253
594,524	634,815	663,245	686,055	715,760	753,561
-	-	3,600	-	-	-
2,807,445	2,508,801	1,266,143	2,937,115	998,086	1,818,199
9,106,245	9,345,536	8,113,904	10,529,959	8,341,541	9,463,858
28,251,638	18,671,501	22,478,195	24,253,177	27,317,737	27,291,331
(4,714,516)	(10,817,317)	(11,468,764)	(14,138,774)	(10,911,652)	(11,778,384)
3,584,825	3,752,018	2,119,684	3,655,437	1,095,694	2,229,057
\$ (1,129,691)	\$ (7,065,299)	\$ (9,349,080)	\$ (10,483,337)	\$ (9,815,958)	\$ (9,549,327)

CITY OF ANDOVER, MINNESOTA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	2016	2017	2018	2019
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 11,770,304	\$ 11,874,354	\$ 12,423,060	\$ 13,011,406
Tax increment collections	69,772	74,771	82,874	89,414
Grants and contributions not restricted to				
specific programs	16,260	13,638	12,917	14,053
Unrestricted investment earnings	399,021	373,585	560,133	1,346,685
Gain on sale of capital assets	20,360	20,489	36,431	24,550
Transfers	127,447	520,775	177,921	(327,730)
Total governmental activities	<u>12,403,164</u>	<u>12,877,612</u>	<u>13,293,336</u>	<u>14,158,378</u>
Business-type activities:				
Unrestricted investment earnings	68,768	65,801	117,637	236,356
Gain on sale of capital assets	2,192	32,855	-	15,818
Transfers	(127,447)	(520,775)	(177,921)	327,730
Total business-type activities	<u>(56,487)</u>	<u>(422,119)</u>	<u>(60,284)</u>	<u>579,904</u>
Total primary government	<u>\$ 12,346,677</u>	<u>\$ 12,455,493</u>	<u>\$ 13,233,052</u>	<u>\$ 14,738,282</u>
Change in Net Position				
Governmental activities	\$ 5,201,708	\$ 2,799,792	\$ 2,766,115	\$ 5,562,601
Business-type activities	<u>2,672,206</u>	<u>437,605</u>	<u>1,272,621</u>	<u>1,635,784</u>
Total primary government	<u>\$ 7,873,914</u>	<u>\$ 3,237,397</u>	<u>\$ 4,038,736</u>	<u>\$ 7,198,385</u>

Table 2
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<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
\$ 14,479,488	\$ 14,934,589	\$ 16,036,590	\$ 16,920,861	\$ 18,047,296	\$ 20,311,887
100,979	103,474	93,862	100,058	155,822	101,037
4,129	3,578	4,417	3,682	4,662	4,825
930,876	(71,710)	(1,165,410)	2,454,949	2,543,897	2,812,385
3,000	18,800	50,113	39,991	25,059	40,791
923,203	119,523	454,680	417,795	(4,754,290)	803,340
<u>16,441,675</u>	<u>15,108,254</u>	<u>15,474,252</u>	<u>19,937,336</u>	<u>16,022,446</u>	<u>24,074,265</u>
173,446	(17,603)	(260,113)	482,527	512,103	520,264
-	-	-	15,795	3,266	3,249
(923,203)	(119,523)	(454,680)	(417,795)	4,754,290	(803,340)
<u>(749,757)</u>	<u>(137,126)</u>	<u>(714,793)</u>	<u>80,527</u>	<u>5,269,659</u>	<u>(279,827)</u>
<u>\$ 15,691,918</u>	<u>\$ 14,971,128</u>	<u>\$ 14,759,459</u>	<u>\$ 20,017,863</u>	<u>\$ 21,292,105</u>	<u>\$ 23,794,438</u>
\$ 11,727,159	\$ 4,290,937	\$ 4,005,488	\$ 5,798,562	\$ 5,110,794	\$ 12,295,881
2,835,068	3,614,892	1,404,891	3,735,964	6,365,353	1,949,230
<u>\$ 14,562,227</u>	<u>\$ 7,905,829</u>	<u>\$ 5,410,379</u>	<u>\$ 9,534,526</u>	<u>\$ 11,476,147</u>	<u>\$ 14,245,111</u>

CITY OF ANDOVER, MINNESOTA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2016	2017	2018	2019
General Fund				
Nonspendable	\$ 146,417	\$ 117,253	\$ 112,971	\$ 122,993
Unassigned	7,650,328	7,672,363	8,023,365	9,240,458
Total general fund	7,796,745	7,789,616	8,136,336	9,363,451
All Other Governmental Funds				
Nonspendable	2,027	2,041	2,386	1,957
Restricted	5,852,444	4,550,557	14,225,839	19,696,883
Committed	513,916	530,505	518,617	518,312
Assigned	19,109,145	20,855,184	21,327,036	22,569,932
Unassigned	(64,193)	(65,185)	(66,263)	-
Total all other governmental funds	25,413,339	25,873,102	36,007,615	42,787,084
Total governmental funds	\$ 33,210,084	\$ 33,662,718	\$ 44,143,951	\$ 52,150,535

Table 3

2020	2021	2022	2023	2024	2025
\$ 140,602	\$ 154,736	\$ 170,128	\$ 400,396	\$ 243,958	\$ 285,697
9,513,916	9,471,730	9,794,213	11,149,054	12,972,117	14,050,755
9,654,518	9,626,466	9,964,341	11,549,450	13,216,075	14,336,452
2,123	17,920	10,000	26,938	21,335	52,892
4,651,447	12,033,034	8,508,752	6,557,805	15,330,469	12,137,110
508,062	499,284	584,224	610,504	610,953	856,617
27,612,210	30,214,430	35,196,270	37,587,640	36,027,337	41,376,990
-	-	-	-	-	-
32,773,842	42,764,668	44,299,246	44,782,887	51,990,094	54,423,609
\$ 42,428,360	\$ 52,391,134	\$ 54,263,587	\$ 56,332,337	\$ 65,206,169	\$ 68,760,061

CITY OF ANDOVER, MINNESOTA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2016	2017	2018	2019
Revenues				
General property taxes	\$ 11,809,352	\$ 11,923,097	\$ 12,433,651	\$ 12,985,096
Tax increment collections	91,808	82,448	86,794	90,189
Licenses and permits	625,907	546,378	562,525	855,831
Intergovernmental	1,564,848	3,150,578	1,641,806	2,786,445
Special assessments	818,065	832,528	554,471	721,950
Charges for services	1,613,941	1,574,242	1,656,254	1,941,637
Fines	88,600	75,287	73,719	62,349
Investment income	389,114	362,974	543,672	1,316,876
Miscellaneous:				
Park dedication fees	431,784	95,198	75,798	472,753
Connection charges	445,698	412,691	444,989	1,152,759
Rent	656,604	641,691	637,150	636,803
Other	1,189,179	428,186	525,667	1,462,431
Total revenues	19,724,900	20,125,298	19,236,496	24,485,119
Expenditures				
General government	2,686,308	2,754,189	3,115,956	3,011,191
Public safety	4,709,083	4,822,435	4,956,350	5,096,029
Public works	3,694,911	5,208,862	4,298,845	5,691,654
Parks and recreation	2,226,454	2,253,370	2,214,415	2,371,437
Recycling	124,860	169,956	199,182	224,574
Economic development	401,244	1,087,586	538,955	191,468
Unallocated	33,077	14,875	11,940	15,001
Capital outlay	2,220,253	1,484,422	2,102,030	14,825,106
Debt service:				
Principal retirement	1,966,719	1,996,719	1,612,717	1,444,000
Interest	444,144	418,419	385,555	568,864
Other	1,325	3,095	3,095	1,000
Construction/acquisition costs	414,987	52,527	164,399	1,564,585
Total expenditures	18,923,365	20,266,455	19,603,439	35,004,909
Revenues over (under) expenditures	801,535	(141,157)	(366,943)	(10,519,790)
Other Financing Sources (Uses)				
Transfers in	627,530	627,530	643,729	1,323,739
Transfers out	(85,096)	(54,228)	(114,850)	(58,110)
Bonds issued	520,000	-	10,000,000	15,770,000
Bond premium	-	-	254,260	1,458,695
Proceeds from the sale of capital assets	25,693	20,489	65,037	32,050
Total other financing sources (uses)	1,088,127	593,791	10,848,176	18,526,374
Net increase (decrease) in fund balance	\$ 1,889,662	\$ 452,634	\$ 10,481,233	\$ 8,006,584
Debt service as a percentage of noncapital expenditures	14.80%	12.89%	11.53%	10.81%

Table 4

2020	2021	2022	2023	2024	2025
\$ 14,451,737	\$ 14,924,342	\$ 16,060,412	\$ 16,955,120	\$ 18,018,721	\$ 20,281,447
100,979	103,474	94,701	100,476	155,822	101,037
892,279	891,762	972,879	854,739	873,585	1,120,745
6,211,801	1,102,318	3,593,374	5,067,131	9,144,214	4,991,024
631,999	696,591	709,864	1,114,953	1,087,685	1,148,857
1,672,023	2,393,518	2,646,415	3,007,678	2,976,252	3,305,465
47,630	53,747	55,983	70,683	81,143	72,959
913,671	(67,052)	(1,145,770)	2,422,303	2,490,149	2,747,165
389,033	622,680	1,360,540	337,085	605,701	1,459,249
1,136,882	926,982	1,962,378	399,568	990,980	1,956,103
635,629	635,026	624,508	635,884	642,619	637,412
862,805	817,623	1,048,482	718,631	916,364	1,147,541
27,946,468	23,101,011	27,983,766	31,684,251	37,983,235	38,969,004
3,079,344	3,203,054	3,490,416	3,521,979	3,702,910	3,670,746
5,754,243	5,533,004	5,765,962	5,861,826	6,546,858	7,213,335
4,588,958	4,361,714	7,648,471	10,280,107	11,714,467	10,426,654
2,495,594	2,799,832	3,233,250	3,283,349	3,679,264	3,529,689
228,124	239,606	169,169	176,063	190,988	204,704
4,154,244	297,628	743,191	297,191	1,006,247	490,181
12,778	16,109	17,396	23,436	4,303	1,248
16,830,198	1,596,917	2,255,478	2,033,247	2,423,740	6,439,374
1,561,000	1,899,000	2,110,000	3,125,000	3,240,000	2,980,000
1,290,844	1,278,030	1,291,283	1,260,997	1,162,366	1,306,658
5,000	5,500	5,200	11,160	15,250	6,450
7,145	743,203	388,924	497,932	5,457,209	90,566
40,007,472	21,973,597	27,118,740	30,372,287	39,143,602	36,359,605
(12,061,004)	1,127,414	865,026	1,311,964	(1,160,367)	2,609,399
990,088	1,011,431	996,481	1,004,672	997,146	953,080
(59,740)	(148,705)	(152,877)	(333,945)	(294,227)	(59,174)
1,310,000	7,765,000	-	-	8,595,000	-
95,481	188,834	-	-	711,221	-
3,000	18,800	163,823	86,059	25,059	50,587
2,338,829	8,835,360	1,007,427	756,786	10,034,199	944,493
\$ (9,722,175)	\$ 9,962,774	\$ 1,872,453	\$ 2,068,750	\$ 8,873,832	\$ 3,553,892
12.31%	16.18%	13.90%	15.75%	14.08%	14.37%

CITY OF ANDOVER, MINNESOTA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Table 5

Year	Real Property		Personal Property		Total		Total Direct Tax Rate	Net Tax Capacity as a Percentage of Market Value
	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity	Taxable Market Value	Net Tax Capacity		
2016	\$ 2,513,051,767	\$ 26,316,855	\$ 26,635,100	\$ 530,418	\$ 2,539,686,867	\$ 26,847,273	38.667%	1.06%
2017	2,605,298,959	27,358,838	28,181,200	561,340	2,633,480,159	27,920,178	37.738%	1.06%
2018	2,929,062,970	30,682,357	30,348,500	604,686	2,959,411,470	31,287,043	34.952%	1.06%
2019	3,089,514,579	32,331,885	32,283,200	643,380	3,121,797,779	32,975,265	35.621%	1.06%
2020	3,392,964,562	35,504,632	29,861,600	594,907	3,422,826,162	36,099,539	35.942%	1.05%
2021	3,510,521,981	36,700,449	33,434,800	666,326	3,543,956,781	37,366,775	35.845%	1.05%
2022	3,802,290,264	39,706,613	25,262,700	502,883	3,827,552,964	40,209,496	36.245%	1.05%
2023	4,758,344,434	49,712,076	27,880,700	555,902	4,786,225,134	50,267,978	31.073%	1.05%
2024	4,902,011,804	51,806,050	24,460,600	486,876	4,926,472,404	52,292,926	32.378%	1.06%
2025	4,900,969,732	51,942,091	29,568,400	589,418	4,930,538,132	52,531,509	36.580%	1.07%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA**PROPERTY TAX RATES - PER \$1,000 OF ASSESSED TAX CAPACITY VALUE****DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

Table 6

Taxes Payable	Direct City				Overlapping Governments				Total
	General Oper Levy	Debt Service Levy	Lower Rum Watershed	Total	School	County	Other	Total	
2017	33.128%	4.246%	0.364%	37.738%	18.590%	36.841%	3.952%	59.383%	97.121%
2018	30.607%	4.020%	0.325%	34.952%	18.392%	35.334%	3.906%	57.632%	92.584%
2019	29.830%	5.480%	0.311%	35.621%	16.330%	34.473%	3.478%	54.281%	89.902%
2020	28.390%	7.266%	0.286%	35.942%	16.893%	33.361%	3.157%	53.411%	89.353%
2021	28.367%	7.207%	0.271%	35.845%	17.801%	30.935%	3.146%	51.882%	87.727%
2022	27.590%	8.403%	0.250%	36.243%	16.319%	29.254%	3.091%	48.664%	84.907%
2023	24.046%	6.827%	0.200%	31.073%	13.671%	24.176%	2.655%	40.502%	71.575%
2024	25.189%	6.921%	0.197%	32.307%	13.592%	25.629%	2.799%	42.020%	74.327%
2025	27.667%	8.722%	0.191%	36.580%	13.598%	30.245%	3.107%	46.950%	83.530%
2026	27.358%	8.230%	18.300%	53.888%	13.029%	31.762%	3.334%	48.125%	102.013%

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Table 7

Year	Total Tax Levy	Collected Within the Fiscal Year of Levy				Collections In Subsequent Years	Total Collections to Date	
		Tax Levy	Market Value		Percentage of Levy		Amount	Percentage of Levy
			Homestead Credit	Total Collected				
2016	\$ 11,593,925	\$ 11,525,770	\$ 3,461	\$ 11,529,231	99.44%	\$ 22,980	\$ 11,552,211	99.64%
2017	11,938,555	11,858,376	3,545	11,861,921	99.36%	17,470	11,879,391	99.50%
2018	12,416,357	12,342,648	2,824	12,345,471	99.43%	5,867	12,351,339	99.48%
2019	13,103,487	12,974,413	3,960	12,978,373	99.05%	44,906	13,023,279	99.39%
2020	14,479,586	14,391,252	4,128	14,395,381	99.42%	31,162	14,426,542	99.63%
2021	14,913,945	14,853,700	3,578	14,857,278	99.62%	26,488	14,883,765	99.80%
2022	16,107,254	16,029,549	4,417	16,033,966	99.54%	23,308	16,057,274	99.69%
2023	17,073,084	16,980,523	3,682	16,984,205	99.48%	30,635	17,014,840	99.66%
2024	18,097,274	17,988,596	4,662	17,993,257	99.43%	4,198	17,997,455	99.45%
2025	20,404,084	20,267,087	4,825	20,271,912	99.35%	Not Available		

CITY OF ANDOVER, MINNESOTA
PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

Table 8

Taxpayers	2025			2016		
	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity	Net Tax Capacity	Rank	Percentage of Total City Tax Capacity
Minnegasco, Inc.	\$ 348,206	1	0.67%	\$ 237,504	1	0.88%
Presbyterian Homes of Andover	287,403	2	0.55%	160,143	4	0.60%
Target Corporation	245,684	3	0.47%	154,668	6	0.58%
Great River Energy	234,476	4	0.45%	173,276	3	0.65%
Wal-Mart	231,084	5	0.44%			
PC Arbor Oaks LLC	208,188	6	0.40%			
Individual	184,850	7	0.35%			
Andover Station 2016 LLC	173,760	8	0.33%			
DST Properties LLC	155,106	9	0.30%	103,640	8	0.39%
Measurement Specialties, Inc.	138,428	10	0.26%			
Connexus Energy				193,514	2	0.72%
Walmart Real Estate Business Trust				160,096	5	0.60%
Andover Limited Partnership				124,754	7	0.46%
Andover Station, LLC				102,150	9	0.38%
Columbia Park Properties				77,696	10	0.29%
Total	<u>\$ 2,207,185</u>		<u>4.22%</u>	<u>\$ 1,487,441</u>		<u>5.55%</u>
Net Tax Capacity	<u>\$ 52,292,926</u>			<u>\$ 26,847,273</u>		

Source: Anoka County Property Tax Division

CITY OF ANDOVER, MINNESOTA
ESTIMATED MARKET VALUES AND NEW CONSTRUCTION
Last Ten Fiscal Years

Table 9

Year	Estimated Market Values			New Construction			
	Commercial / Industrial (1)	Residential	Total	Commercial / Industrial		Residential	
				Permits	Value	Permits	Value
2016	\$ 184,083,400	\$ 2,530,046,700	\$ 2,714,130,100	7	\$ 14,009,200	111	\$ 28,893,036
2017	196,837,900	2,610,055,500	2,806,893,400	-	-	94	27,847,717
2018	207,569,200	2,908,606,300	3,116,175,500	2	2,860,000	60	19,703,857
2019	214,417,500	3,057,490,800	3,271,908,300	2	3,901,376	116	37,258,817
2020	228,402,926	3,332,915,773	3,561,318,699	-	-	139	45,464,139
2021	235,287,000	3,450,673,800	3,685,960,800	-	-	141	43,949,250
2022	226,699,000	3,731,908,100	3,958,607,100	3	6,983,400	103	55,992,019
2023	244,378,800	4,635,315,300	4,879,694,100	3	22,344,000	64	21,454,268
2024	300,481,900	4,729,313,300	5,029,795,200	5	2,400,000	101	35,124,454
2025	314,657,100	4,789,458,400	5,104,115,500	4	11,478,662	103	72,553,396

Note: (1) Also includes agricultural, public utility, railroad operating property, and personal property.

CITY OF ANDOVER, MINNESOTA
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Table 10

Year	Current Assessments Due (1)	Current Assessments Collected	Percent of Assessments Collected	Delinquent Assessment Collections	Total Assessment Collections	Total Collections as a Percent of Current Assessments Due	Outstanding Delinquent Assessments	Delinquent Assessments as a Percent of Current Assessments Due
2016	\$ 267,704	\$ 510,275	190.61%	\$ 2,153	\$ 512,429	191.42%	\$ 268,716	100.38%
2017	265,163	513,140	193.52%	212	513,352	193.60%	272,101	102.62%
2018	305,249	555,684	182.04%	412	556,096	182.18%	283,528	92.88%
2019	272,670	532,268	195.21%	1,579	533,847	195.79%	295,781	108.48%
2020	272,526	524,787	192.56%	5,684	530,471	194.65%	272,865	100.12%
2021	270,334	504,303	186.55%	8,024	512,328	189.52%	248,237	91.83%
2022	269,026	483,558	179.74%	6,925	490,482	182.32%	278,861	103.66%
2023	324,879	580,154	178.58%	3,856	584,010	179.76%	298,692	91.94%
2024	442,819	712,440	160.89%	7,664	720,104	162.62%	350,971	79.26%
2025	503,003	822,961	163.61%	1,998	824,959	164.01%	344,796	68.55%

Note: (1) Only includes assessments certified to Anoka County.

CITY OF ANDOVER, MINNESOTA
RATIO OF NET BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years

Table 11

Fiscal Year	Population (1)	Estimated Market Value	General Bonded Debt Outstanding (2)			Percentage of Estimated Market Value	Net Bonded Debt Per Capita
			Gross Bonded Debt	Amount Restricted For Debt Service	Net Bonded Debt		
2016	32,335	\$ 2,714,130,100	\$ 18,080,000	\$ (1,163,486)	\$ 16,916,514	0.62%	\$ 523.16
2017	32,470	2,806,893,400	16,280,000	(800,214)	15,479,786	0.55%	476.74
2018	32,728	3,116,175,500	24,864,000	(899,986)	23,964,014	0.77%	732.22
2019	32,882	3,271,908,300	40,619,047	(917,364)	39,701,683	1.21%	1,207.40
2020	33,448	3,561,318,700	40,296,891	(1,582,258)	38,714,633	1.09%	1,157.46
2021	32,708	3,685,960,800	46,091,735	(2,064,237)	44,027,498	1.19%	1,346.08
2022	32,822	3,958,607,100	43,910,579	(3,024,557)	40,886,022	1.03%	1,245.69
2023	33,089	4,879,694,100	40,714,423	(3,329,304)	37,385,119	0.77%	1,129.84
2024	32,596	5,029,795,200	45,998,267	3,262,912	49,261,179	0.98%	1,511.26
2025	32,796	5,104,115,500	42,947,111	4,654,917	47,602,028	0.93%	1,451.46

Notes: (1) Source: Metropolitan Council
(2) Only includes debt supported by tax levy.

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2025

Table 12

	Gross General Obligation Bonded Debt Outstanding		Percentage Applicable to City (2)	Net Amount Applicable to City
Direct:				
City of Andover	\$ 42,947,111		100.0000%	\$ 42,947,111
Overlapping:				
Anoka County	26,490,000 (1)		9.1571%	2,425,716
ISD No. 11 Anoka-Hennepin	231,070,000 (1)		12.8713%	29,741,713
ISD No. 15 St. Francis	73,170,000 (1)		5.7663%	4,219,202
Anoka County Regional Railroad Authority	4,215,000 (1)		9.1571%	385,972
Metropolitan Council	191,435,000 (1)		0.8924%	1,708,366
Total overlapping debt				38,480,969
Total overlapping and direct debt				\$ 81,428,080

Notes: (1) Information obtained from Anoka County.

(2) Overlapping governments are those that coincide with the geographical boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF ANDOVER, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Estimated Taxable Market Value	<u>\$ 2,539,686,867</u>	<u>\$ 2,633,480,159</u>	<u>\$ 2,959,411,470</u>	<u>\$ 3,121,797,779</u>
Debt limitation:				
Debt limit percent	3%	3%	3%	3%
Debt limit in dollars	<u>76,190,606</u>	<u>79,004,405</u>	<u>88,782,344</u>	<u>93,653,933</u>
Debt applicable to limit:				
Total bonded debt	27,110,000	20,740,000	28,639,000	42,260,000
Less: Nonapplicable debt				
G.O. water revenue bonds	(9,030,000)	(4,460,000)	(3,775,000)	(3,070,000)
Less: Cash and investments in related debt service funds	<u>(1,299,334)</u>	<u>(943,862)</u>	<u>(1,032,604)</u>	<u>(1,418,376)</u>
Total debt applicable to limitation	<u>16,780,666</u>	<u>15,336,138</u>	<u>23,831,396</u>	<u>37,771,624</u>
Legal debt margin	<u><u>\$ 59,409,940</u></u>	<u><u>\$ 63,668,267</u></u>	<u><u>\$ 64,950,948</u></u>	<u><u>\$ 55,882,309</u></u>
Total debt applicable to the limit as a percentage of debt limit	22.02%	19.41%	26.84%	40.33%

Table 13

2020	2021	2022	2023	2024	2025
<u>\$ 3,422,826,162</u>	<u>\$ 3,543,956,781</u>	<u>\$ 3,827,552,964</u>	<u>\$ 4,786,225,134</u>	<u>\$ 4,926,472,404</u>	<u>\$ 5,273,487,410</u>
3%	3%	3%	3%	3%	3%
<u>102,684,785</u>	<u>106,318,703</u>	<u>114,826,589</u>	<u>143,586,754</u>	<u>147,794,172</u>	<u>158,204,622</u>
41,284,000	46,415,000	43,550,000	39,655,000	44,925,000	41,945,000
(2,345,000)	(1,610,000)	(855,000)	(85,000)	-	-
<u>(2,021,047)</u>	<u>(2,516,818)</u>	<u>(3,435,767)</u>	<u>(3,771,774)</u>	<u>(3,642,166)</u>	<u>(5,149,826)</u>
<u>36,917,953</u>	<u>42,288,182</u>	<u>39,259,233</u>	<u>35,798,226</u>	<u>41,282,834</u>	<u>36,795,174</u>
<u>\$ 65,766,832</u>	<u>\$ 64,030,521</u>	<u>\$ 75,567,356</u>	<u>\$ 107,788,528</u>	<u>\$ 106,511,338</u>	<u>\$ 121,409,448</u>
35.95%	39.77%	34.19%	24.93%	27.93%	23.26%

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CITY OF ANDOVER, MINNESOTA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Table 14

2012 (1) and 2019 G.O. Abatement Bonds

Fiscal Year	Community Center Special Revenue Fund			Debt Service		Debt Service		Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	General Property Tax Revenue		Principal	Interest	
2016	\$ 1,428,771	\$ 1,048,452	\$ 380,319	\$ 979,038	\$	845,000	\$ 371,506	1.12
2017	1,445,784	1,041,714	404,070	973,161		855,000	358,731	1.13
2018	1,490,157	1,045,141	445,016	970,085		870,000	341,481	1.17
2019	1,506,473	1,047,404	459,069	960,618		885,000	323,931	1.17
2020	1,266,968	1,153,500	113,468	1,969,617		910,000	896,131	1.15
2021	2,080,633	1,375,835	704,798	1,950,295		1,160,000	871,906	1.31
2022	2,235,783	1,720,151	515,632	1,981,792		1,490,000	833,708	1.07
2023	2,533,714	1,957,846	575,868	1,984,821		1,530,000	786,181	1.11
2024	2,656,916	1,862,478	794,438	1,993,733		1,585,000	735,650	1.20
2025	2,627,364	2,888,589	(261,225)	1,975,671		1,635,000	681,256	0.74

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Half of the facility financed by these bonds is leased to the Greater Minneapolis YMCA, their lease payments started in 2008. Future YMCA lease payments will significantly reduce the City's obligation on debt service payments.

(2) 2025 operating expenses includes the cost of a partial roof replacement in the amount of \$987,508.

CITY OF ANDOVER, MINNESOTA
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

	2016	2017	2018	2019
City of Andover's Outstanding Debt				
Governmental activities				
Abatement bonds	\$ 14,995,000	\$ 14,140,000	\$ 13,270,000	\$ 28,155,000
Certificates of indebtedness	2,125,000	1,330,000	939,000	540,000
Capital improvement bonds	-	-	10,000,000	10,000,000
Street reconstruction bonds	-	-	-	-
Referendum bonds	960,000	810,000	655,000	495,000
Promissory note payable	393,436	196,717	-	-
Issuance premiums	-	-	-	1,429,047
Total governmental activities	18,473,436	16,476,717	24,864,000	40,619,047
Business-type activities				
G.O. revenue bonds	9,030,000	4,460,000	3,775,000	3,070,000
Issuance premiums	81,006	67,690	54,374	41,058
Total business-type activities	9,111,006	4,527,690	3,829,374	3,111,058
Total outstanding debt	\$ 27,584,442	\$ 21,004,407	\$ 28,693,374	\$ 43,730,105
Total outstanding debt as a percentage of personal income	2.68%	1.96%	2.55%	3.71%
Total outstanding debt per capita	\$ 853	\$ 647	\$ 877	\$ 1,330

Table 15

	2020	2021	2022	2023	2024	2025
\$	27,245,000	\$ 26,085,000	\$ 24,595,000	\$ 23,065,000	\$ 21,480,000	\$ 19,845,000
	1,444,000	1,625,000	1,305,000	825,000	1,480,000	1,320,000
	9,915,000	9,790,000	9,660,000	9,370,000	9,070,000	8,755,000
	-	7,135,000	7,135,000	6,310,000	12,895,000	12,025,000
	335,000	170,000	-	-	-	-
	-	-	-	-	-	-
	1,357,891	1,286,735	1,215,579	1,144,423	1,073,267	1,002,111
	40,296,891	46,091,735	43,910,579	40,714,423	45,998,267	42,947,111
	2,345,000	1,610,000	855,000	85,000	-	-
	27,742	14,426	-	-	-	-
	2,372,742	1,624,426	855,000	85,000	-	-
\$	42,669,633	\$ 47,716,161	\$ 44,765,579	\$ 40,799,423	\$ 45,998,267	\$ 42,947,111
	3.45%	3.86%	3.40%	2.86%	3.18%	2.88%
\$	1,276	\$ 1,459	\$ 1,364	\$ 1,233	\$ 1,411	\$ 1,310

Year	City of Andover		Anoka County			
	Population (1)	Personal Income (2)	Population (3)	Personal Income (2)	Per Capita Income (3)	Unemployment Percentage
2016	32,335	\$ 1,027,444,625	345,957	\$ 10,992,783,675	\$ 31,775	3.8%
2017	32,470	1,073,165,970	348,357	11,513,547,207	33,051	3.5%
2018	32,728	1,089,842,400	350,357	11,666,888,100	33,300	2.8%
2019	32,882	1,177,372,892	356,921	12,779,913,326	35,806	3.1%
2020	33,448	1,236,840,144	358,921	13,272,180,738	36,978	6.4%
2021	32,708	1,236,591,356	367,018	13,875,849,526	37,807	3.7%
2022	32,822	1,314,750,854	369,108	14,785,359,156	40,057	2.5%
2023	33,089	1,426,334,434	372,441	16,054,441,746	43,106	2.8%
2024	32,596	1,447,849,128	376,840	16,738,479,120	44,418	3.2%
2025	32,796	1,491,693,264	381,605	17,356,921,820	45,484	3.6%

Notes:

- (1) Estimates from Metropolitan Council
- (2) The personal income is calculated by taking the per capita income of Anoka County and multiplying it by the population for both the City and County.
- (3) Information from U.S. Census Bureau

CITY OF ANDOVER, MINNESOTA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Table 17

Taxpayer	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Anoka Hennepin I.S.D. No. 11	736 ⁽¹⁾	1	30.9%	760	1	31.8%
Walmart	335	2	14.0%	210	5	8.8%
Anoka County Sheriff's Office	250	3	10.5%	250	3	10.5%
Kottkes' Bus Service, Inc.	225	4	9.4%	225	4	9.4%
Target	200	5	8.4%	170	7	7.1%
YMCA	192	6	8.1%	186	6	7.8%
M Fairview Health Clinic - Andover	125	7	5.2%	300	2	12.6%
Anoka County Highway Department	122	8	5.1%	103	8	4.3%
Legacy Christian Academy	100	9	4.2%			
Bunker Hills Regional Park/Activity Center	100	10	4.2%	100	9	4.1%
King's County Market				85	10	3.6%
Total	2,385		100.0%	2,389		100.0%

Source: Minnesota Department of Employment and Economic Development

(1) Number of district employees that work in school buildings located within the City.

CITY OF ANDOVER, MINNESOTA
FULL TIME EQUIVALENT EMPLOYEES
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Table 18

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental:										
Administration	1.18	1.13	1.13	1.15	1.05	1.08	1.26	1.40	1.29	1.34
Human resources	0.03	0.03	0.03	0.03	0.07	0.07	0.08	0.08	0.08	0.08
City clerk	1.89	1.89	1.89	1.89	1.88	1.91	1.92	1.86	2.13	2.00
Elections	0.10	0.15	0.15	0.15	0.25	0.14	0.15	0.20	0.19	0.19
Financial administration	1.97	1.94	1.94	1.94	1.98	1.99	1.99	2.01	2.00	2.01
Information systems	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
Planning and zoning	4.00	4.03	4.03	4.05	4.05	4.05	3.70	3.28	3.22	3.51
Engineering	4.40	4.48	4.48	4.48	4.51	4.48	5.04	5.19	5.09	5.24
Facility Management	0.16	1.05	1.05	0.96	0.81	0.86	0.85	0.84	0.85	0.83
EDA general	0.10	0.05	0.05	-	-	-	-	-	-	-
LRRWMO	0.07	0.07	0.07	0.07	0.09	0.09	0.08	0.08	0.08	0.08
Risk management	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Public Safety:										
Fire	3.21	3.21	3.21	3.21	4.58	4.48	5.02	5.01	5.34	5.36
Protective inspection	4.05	4.03	4.03	4.03	4.18	4.19	3.60	3.74	3.46	3.65
Emergency management	0.05	0.05	0.05	0.05	0.05	0.02	0.05	0.05	0.05	0.05
Public Works:										
Streets and highways	5.68	5.37	5.19	5.22	5.52	6.14	5.63	6.23	6.57	5.46
Snow and ice	2.23	1.83	2.83	3.79	1.85	1.92	2.95	3.28	1.41	2.52
Street signs	1.42	1.57	1.52	1.46	1.69	1.57	1.30	1.13	1.33	1.26
Natural Resource Preservation	0.03	0.01	0.01	-	-	-	-	0.02	-	-
Drainage and mapping	-	-	-	-	-	0.04	0.10	0.08	0.08	0.08
ROW management/utility	0.08	0.08	0.08	0.08	0.08	0.12	0.16	0.18	0.19	0.19
Water	4.87	4.55	4.52	4.86	5.22	5.25	5.41	6.03	5.79	6.06
Sewer	2.91	2.82	3.08	2.80	3.27	3.48	3.18	2.72	3.15	3.40
Storm sewer	2.39	2.94	2.38	2.08	1.95	1.58	2.12	2.06	2.10	2.19
Central equipment	3.07	3.31	3.25	3.19	3.43	3.41	3.40	3.50	3.44	3.44
Park & Recreation:										
Park and recreation	8.58	8.65	8.30	7.80	9.00	8.34	7.69	7.80	8.43	7.95
Community center	3.16	3.22	3.22	3.32	3.33	4.74	6.10	6.21	6.21	6.18
Recycling	<u>0.79</u>	<u>1.03</u>	<u>1.00</u>	<u>0.88</u>	<u>0.79</u>	<u>0.95</u>	<u>0.83</u>	<u>0.84</u>	<u>0.90</u>	<u>0.85</u>
	<u>57.43</u>	<u>58.50</u>	<u>58.50</u>	<u>58.50</u>	<u>60.64</u>	<u>61.91</u>	<u>63.62</u>	<u>64.83</u>	<u>64.39</u>	<u>64.93</u>

Source: City Finance Department

Note: Employees are allocated to various departments based on the functions that they perform.

CITY OF ANDOVER, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

Table 19

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government:										
Registered voters	22,051	n/a	20,433	n/a	23,545	n/a	23,227	n/a	21,133	n/a
Number of precincts	10	n/a	10	n/a	10	n/a	10	n/a	10	n/a
Public safety:										
Police:										
Number of calls for services	14,736	15,636	14,724	18,164	14,080	13,114	12,846	13,272	13,270	12,824
Number of patrol hours	29,200	29,200	29,200	29,200	29,200	29,200	28,480	26,280	26,280	26,280
Fire:										
Fire responses	378	350	365	472	375	404	545	556	585	601
Emergency medical responses	594	500	740	790	667	1,340	1,528	1,623	1,296	1,316
Protective inspections:										
Inspections	3,562	2,785	2,844	3,574	4,791	5,100	4,917	5,210	6,583	5,869
Residential permits	111	95	58	116	139	140	104	64	99	102
Other permits	2,536	2,653	2,396	2,758	2,983	3,427	2,400	2,793	3,290	2,894
Public works:										
Streets and highways:										
Asphalt streets maintained (miles)	204	190	194	195	202	205	205	206	207	208
Gravel roads maintained (miles)	6	6	7	7	7	7	7	7	7	7
Cul-de-sacs and dead ends maintained	348	350	353	357	358	363	364	364	358	362
Parks and recreation:										
Number of City parks	53	53	53	53	53	53	53	53	53	54
Total acreage mowed	332	332	336	336	338	340	340	340	340	341
Ballfields maintained	27	27	27	27	27	27	27	27	27	27
Number of playgrounds	41	41	42	42	42	42	42	43	43	44
Soccer fields maintained	18	18	20	20	20	20	20	20	20	20
Trail maintained (miles)	34	34	37	39	40	41	41	41	41	42
Community center bookings (hrs):										
Fieldhouse	12,701	12,900	13,796	13,891	7,771	16,200	16,524	12,121	13,848	13,423
Ice arena	2,606	2,702	3,288	3,156	2,585	4,650	4,743	5,047	6,133	6,001
Water:										
New connections	97	91	62	90	97	106	103	87	89	136
Total customers	6,572	6,663	6,725	6,815	6,912	7,018	7,121	7,208	7,297	7,433
Annual consumption (thousands of gallons)	850,307	873,457	975,387	829,721	1,024,844	1,144,573	1,051,087	1,196,966	988,147	997,190
Sanitary Sewer:										
New connections	101	92	58	36	87	37	194	34	118	81
Total customers	7,482	7,574	7,632	7,668	7,755	7,792	7,986	8,020	8,138	8,219
Storm Sewer:										
Total customers	10,812	10,948	10,971	11,118	11,249	11,304	11,380	11,508	11,614	11,672
Storm sewer lines maintained (miles)	77	78	78	80	81	85	86	86	87	88

Source: Various City Departments

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety:										
Fire:										
Stations	3	3	3	3	3	3	3	3	3	3
Fire vehicles	20	18	19	17	16	17	18	18	19	20
Protective inspections:										
Vehicles	4	4	4	5	5	5	5	4	4	4
Public Works:										
Streets and Highways:										
Streets (miles)	204	190	194	195	202	205	205	206	207	208
Street lights	1,260	1,268	1,282	1,301	1,326	1,348	1,373	1,381	1,384	1,414
Traffic signals	25	26	26	27	27	27	28	28	28	28
Parks and Recreation:										
Parks	53	53	53	53	53	53	53	53	53	54
Ball fields	27	27	27	27	27	27	27	27	27	27
Soccer fields	18	18	20	20	20	20	20	20	20	20
Playgrounds	41	41	42	42	42	42	42	43	43	44
Trails (miles)	34	34	37	39	40	41	41	41	41	42
Community centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Storage facilities	2	2	2	2	2	2	2	2	2	2
Water main (miles)	118	119	120	121	122	123	125	125	130	130
Connections	6,635	6,663	6,725	6,815	6,912	7,018	7,121	7,200	7,297	7,433
Sanitary sewer:										
Sewer main (miles)	96	98	99	100	101	103	105	105	106	106
Connections	7,482	7,574	7,632	7,668	7,755	7,792	7,986	8,020	8,138	8,219
Number of lift stations	9	9	9	10	10	11	11	11	11	11
Storm sewer:										
Storm sewer lines (miles)	77	78	78	80	81	85	86	86	87	88

IV. OTHER INFORMATION

CITY OF ANDOVER, MINNESOTA
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2025

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Authorized and Issue</u>
GOVERNMENTAL ACTIVITIES:				
Abatement Bonds:				
2012C G.O. Abatement Bonds	12/27/2012	2/1/2031	1.00-3.00%	\$ 17,315,000
2019A G.O. Abatement Bonds	8/1/2019	2/1/2040	3.00-5.00%	15,770,000
				<u>33,085,000</u>
Certificates of Indebtedness:				
2021A G.O. Equipment Certificates	12/28/2021	2/1/2026	2.00%	630,000
2024A G.O. Equipment Certificates	12/30/2024	2/1/2028	5.00%	1,155,000
				<u>1,785,000</u>
Capital Improvement Bonds:				
2018A G.O. Capital Improvement Plan Bonds	12/27/2018	2/1/2044	3.00-5.00%	<u>10,000,000</u>
Street Reconstruction Bonds:				
2021A G.O. Street Reconstruction Bonds	12/28/2021	2/1/2030	1.00-2.00%	7,135,000
2024A G.O. Street Reconstruction Bonds	12/30/2024	2/1/2035	4.00-5.00%	7,440,000
				<u>14,575,000</u>
Total bonded indebtedness				59,445,000
Issuance premiums				-
Compensated absences payable				<u>-</u>
Total governmental activities indebtedness				<u>59,445,000</u>
BUSINESS-TYPE ACTIVITIES:				
Compensated absences payable				<u>-</u>
Total business-type activities indebtedness				<u>-</u>
Total City indebtedness				<u>\$ 59,445,000</u>

Exhibit 1

Principal Payments		Outstanding 12/31/25	2026 Payment		
Prior Years	Current Year		Principal	Interest	Total
\$ 9,655,000	\$ 1,005,000	\$ 6,655,000	\$ 1,030,000	\$ 178,275	\$ 1,208,275
1,950,000	630,000	13,190,000	660,000	444,650	1,104,650
11,605,000	1,635,000	19,845,000	1,690,000	622,925	2,312,925
305,000	160,000	165,000	165,000	1,650	166,650
-	-	1,155,000	365,000	48,625	413,625
305,000	160,000	1,320,000	530,000	50,275	580,275
930,000	315,000	8,755,000	335,000	287,631	622,631
1,680,000	870,000	4,585,000	885,000	57,710	942,710
-	-	7,440,000	565,000	339,925	904,925
1,680,000	870,000	12,025,000	1,450,000	397,635	1,847,635
14,520,000	2,980,000	41,945,000	4,005,000	1,358,466	5,363,466
-	-	1,002,111	-	-	-
-	-	1,088,181	-	-	-
14,520,000	2,980,000	44,035,292	4,005,000	1,358,466	5,363,466
-	-	183,085	-	-	-
-	-	183,085	-	-	-
\$ 14,520,000	\$ 2,980,000	\$ 44,218,377	\$ 4,005,000	\$ 1,358,466	\$ 5,363,466

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF TAX CAPACITY RATES AND LEVIES

Exhibit 2

	Taxes Payable	
	2026	2025
Tax capacity values	\$ 55,559,856	\$ 52,531,509
Captured tax increment value	-	(121,674)
Fiscal disparities - contribution	(1,951,323)	(1,780,176)
Local taxable value	53,608,533	50,629,659
Fiscal disparities - distribution	5,945,119	6,030,031
Adjusted tax capacity	<u>\$ 59,553,652</u>	<u>\$ 56,659,690</u>

	2026		2025	
	Certified Levy	Tax Capacity Rate	Certified Levy	Tax Capacity Rate
General Revenue Levy:				
General Fund	\$ 12,738,591		\$ 12,143,182	
Community Center Operations Levy	155,000		155,000	
Capital Equipment/Projects	525,000		300,000	
Facility Maintenance Reserve	355,000		355,000	
Parks Projects	15,000		15,000	
Road and Bridge	2,400,000		2,400,000	
Pedestrian Trail Maintenance	117,165		114,868	
Total General Revenue Levy	<u>16,305,756</u>	27.314%	<u>15,483,050</u>	27.667%
Debt Service Levy:				
2012C G.O. Abatement Bonds	968,689		969,824	
2018A G.O. Capital Improvement Plan Bonds	615,419		617,257	
2019A G.O. Abatement Bonds	1,179,308		1,018,100	
2021A G.O. Equipment Certificate	-		176,715	
2021A G.O. Street Recon	701,553		649,138	
2024A G.O. Street Recon	995,355		1,000,000	
2024A G.O. Equipment Certificate	444,834		450,000	
Total Debt Service Levy	<u>4,905,158</u>	8.217%	<u>4,881,034</u>	8.722%
Lower Rum River Watershed	<u>40,000</u>	0.183%	<u>40,000</u>	0.191%
Total	<u>\$ 21,250,914</u>	<u>35.714%</u>	<u>\$ 20,404,084</u>	<u>36.580%</u>

CITY OF ANDOVER, MINNESOTA
SCHEDULE OF DEFERRED TAX LEVIES
GENERAL OBLIGATION BONDS
December 31, 2025

Exhibit 3

Taxes Payable	Abatement Bonds 2012C	Abatement Bonds 2019A	Certificates of Indebtedness 2024A	Capital Improvement Plan Bonds 2018A	Street Reconstruction Bonds 2021A	Street Reconstruction Bonds 2024A	Total Deferred Tax Levies
2026	\$ 968,689	\$ 1,179,308	\$ 444,834	\$ 615,419	\$ 701,553	\$ 995,355	\$ 4,905,158
2027	1,265,513	1,174,320	446,513	663,344	1,003,548	997,028	5,550,266
2028	1,265,404	1,178,257	-	662,189	999,086	999,390	5,104,326
2029	1,273,309	1,177,627	-	660,719	998,844	994,665	5,105,164
2030	1,274,070	1,175,737	-	658,934	-	998,865	4,107,606
2031	1,278,900	1,177,837	-	662,084	-	995,715	4,114,536
2032	-	1,176,997	-	659,512	-	995,978	2,832,487
2033	-	1,175,370	-	661,874	-	999,390	2,836,634
2034	-	1,178,205	-	658,514	-	999,180	2,835,899
2035	-	1,174,845	-	659,498	-	-	1,834,343
2036	-	1,175,947	-	659,380	-	-	1,835,327
2037	-	1,176,105	-	658,750	-	-	1,834,855
2038	-	1,175,317	-	662,858	-	-	1,838,175
2039	-	1,178,835	-	660,358	-	-	1,839,193
2040	-	-	-	662,576	-	-	662,576
2041	-	-	-	663,364	-	-	663,364
2042	-	-	-	658,166	-	-	658,166
2043	-	-	-	662,918	-	-	662,918
	<u>\$ 7,325,885</u>	<u>\$ 16,474,707</u>	<u>\$ 891,347</u>	<u>\$ 11,850,457</u>	<u>\$ 3,703,031</u>	<u>\$ 8,975,566</u>	<u>\$ 49,220,993</u>

	Transfer In	Transfer Out	
<u>General Fund</u>			
Water EF	\$ 81,662	\$ -	General Fund Admin Allocation
Sewer EF	77,652	-	General Fund Admin Allocation
Storm Sewer EF	17,866	-	General Fund Admin Allocation
Economic Development Authority SRF	-	250,000	Funding Shortfall
Capital Equipment Reserve CPF	-	250,000	DNR Trail Project Match
Capital Equipment Reserve CPF	-	150,000	Natural Disaster Reserve
Capital Equipment Reserve CPF	-	350,000	Plow Truck Replacement
Total General Fund	177,180	1,000,000	
<u>Special Revenue Funds (SRF)</u>			
Economic Development Authority SRF			
General Fund	250,000	-	Funding Shortfall
Community Center SRF			
2012C GO Abatement Bonds DSF	-	300,000	Debt Service Allocation
Right of Way Management / Utility SRF			
Road and Bridge CPF	-	10,100	Roadway Degredation
Total Special Revenue Funds	250,000	310,100	
<u>Debt Service Funds (DSF)</u>			
2012C GO Abatement Bonds DSF			
Community Center SRF	300,000	-	Debt Service Allocation
2018A GO Capital Improvement Plan Bonds DSF			
Water EF	22,650	-	Debt Service Allocation
Sewer EF	22,650	-	Debt Service Allocation
	45,300	-	
2019A GO Abatement Bonds DSF			
Park Dedication CPF	159,107	-	Debt Service Allocation
2021A GO Street Reconstruction Bonds DSF			
Road and Bridge CPF	200,000	-	Debt Service Allocation
Permanent Improvement Revolving CPF	150,000	-	Debt Service Allocation
	350,000	-	
Total Debt Service Funds	854,407	-	
<u>Capital Projects Funds (CPF)</u>			
Water Trunk CPF			
Water EF	300,000	-	Replacement Reserve
Water EF	-	59,174	WTP Operations
	300,000	59,174	
Sewer Trunk CPF			
Sewer EF	400,000	-	Replacement Reserve
Road and Bridge CPF			
Right of Way Management / Utility SRF	10,100	-	Roadway Degredation
2021A GO Street Reconstruction Bonds DSF	-	200,000	Debt Service Allocation
	10,100	200,000	
Park Dedication CPF			
2019A GO Abatement Bonds DSF	-	159,107	Debt Service Allocation
Capital Equipment Reserve CPF			
General Fund	250,000	-	DNR Trail Project Match
General Fund	150,000	-	Natural Disaster Reserve
General Fund	350,000	-	Plow Truck Replacement
	750,000	-	
Permanent Improvement Revolving CPF			
2021A GO Street Reconstruction Bonds DSF	-	150,000	Debt Service Allocation
Total Capital Projects Funds	1,460,100	568,281	
<u>Enterprise Funds (EF)</u>			
Water EF			
Water Trunk CPF	59,174	-	WTP Operations
General Fund	-	81,662	General Fund Admin Allocation
Water Trunk CPF	-	300,000	Replacement Reserve
2018A GO Capital Improvement Plan Bonds CPF	-	22,650	Debt Service Allocation
	59,174	404,312	
Sewer EF			
General Fund	-	77,652	General Fund Admin Allocation
Sewer Trunk CPF	-	400,000	Replacement Reserve
2018A GO Capital Improvement Plan Bonds CPF	-	22,650	Debt Service Allocation
	-	500,302	
Storm Sewer EF			
General Fund	-	17,866	General Fund Admin Allocation
Total Enterprise Funds	59,174	922,480	
Total All Funds	\$ 2,800,861	\$ 2,800,861	