

# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



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For the Fiscal Year Ended June 30, 2010



## Board of Selectmen



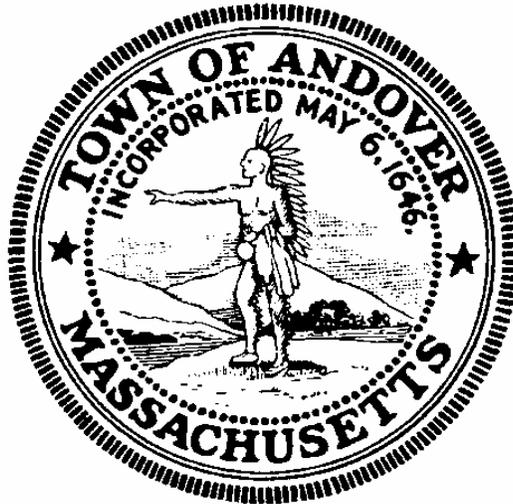
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**Gerald Stabile, Alex Vispoli (Chairman), Brian Major, Mary Lyman (Vice-Chairman), Ted Teichert**

# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2010



Prepared by:

Rodney Smith, Town Accountant

TOWN OF ANDOVER, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# ***Introductory Section***

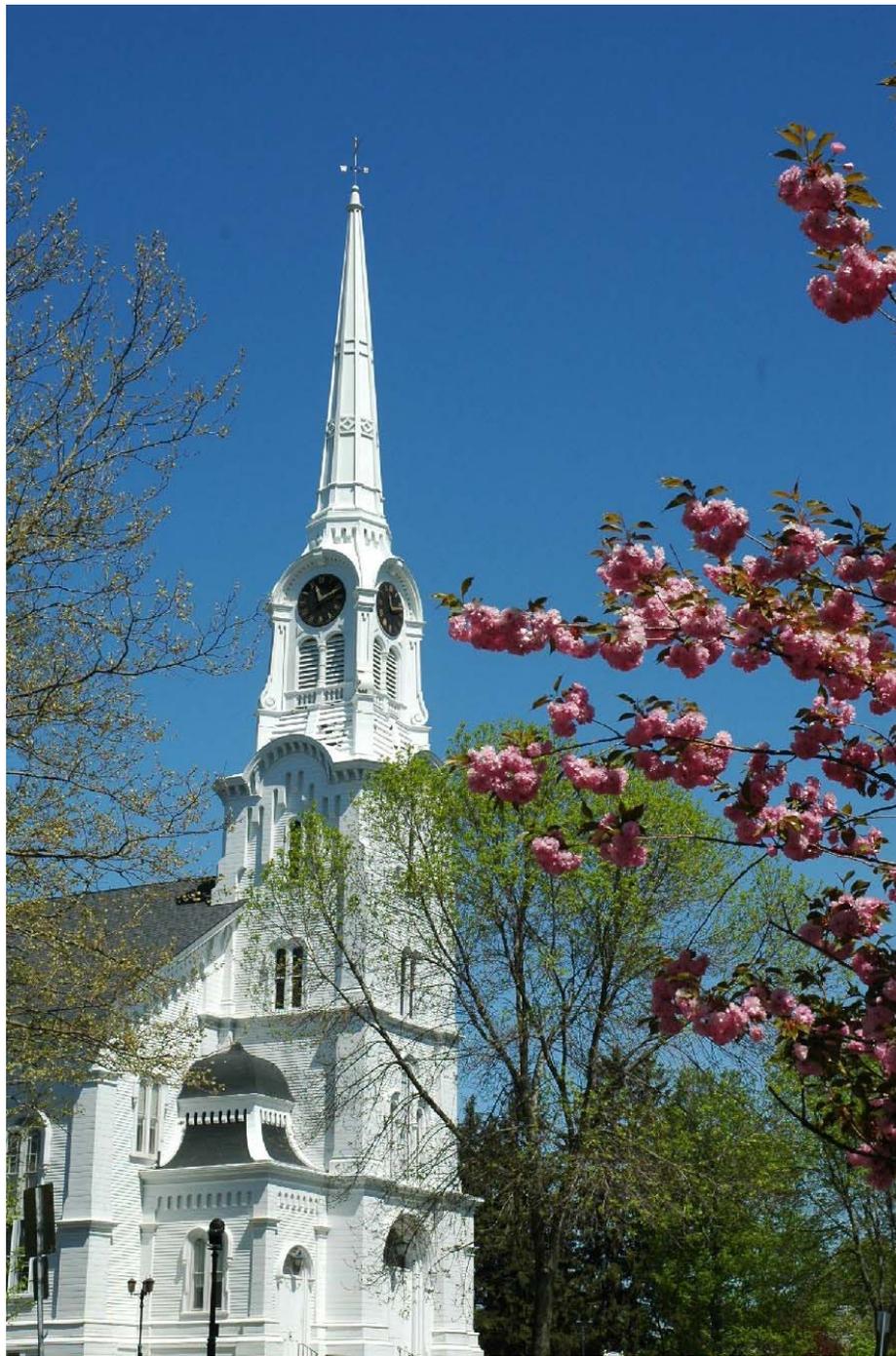


Photo by: Robert Dennis

# ***Introductory Section***

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# Town of Andover

36 Bartlet Street  
Andover, Massachusetts 01810  
(978) 623-8211  
FAX (978) 623-8208

## Letter of Transmittal

December 15, 2010

To Members of the Board of Selectmen and Citizens of the Town of Andover:

At the close of each fiscal year state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the fiscal year ending June 30, 2010 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Andover's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover for the fiscal year ended June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Andover's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Andover was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Andover's separately issued Single Audit Report.

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 that analysis and should be read in conjunction with it. The Town of Andover's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Town**

Andover is located in Essex County in the northeastern part of Massachusetts, approximately 23 miles north of Boston. Located on the banks of the Merrimack River, Andover is bordered on the north by the cities of Lawrence and Methuen, on the east by the Town of North Andover, on the south by the Towns of North Reading and Wilmington, and on the west by the Towns of Tewksbury and Dracut. Andover has approximately 32 square miles of land area, and 235 miles of roadways.

Andover is bisected by two major highway systems, Interstate 93 and 495, and a number of secondary roadways including Routes 28, 133, 114 and 125. Public transportation is available via two commuter rail service stations from Andover to the metropolitan Boston area provided by the Massachusetts Bay Transportation Authority, and a regional bus service provided by the Merrimack Valley Transit Authority.

Andover was originally settled in 1636 under the native-American name of Cochichawicke, a local waterway. The community was incorporated in 1646 as the Town of Andover, named after a Town in England where many of its settlers had come from.

From the earliest days of the Town, manufacturing has played a major part in its development. The region's first powder mill was established in 1775; the manufacture of paper began in 1789; and in the early nineteenth century, several woolen mills prospered. While all of these early forms of manufacturing have since moved away, Andover continues to attract major modern industries.

Andover is known for its forward thinking government, committed to quality, responsiveness, and service. The Town's governing Charter was enacted by the Legislature in 1956, amended in 1974 and again in 2004. The Charter authorizes an Open Town Meeting-Board of Selectmen-Town Manager form of government. The Town is overseen by an elected five-member Board of Selectmen, and is administered by an appointed professional Town Manager, who also oversees approximately 20 departments and divisions. Andover's public schools are overseen by an elected five-member School Committee, and administered by an appointed professional Superintendent. There are also various appointed boards and committees which have specific responsibilities concerning various aspects of Town governance. Town Meeting, which is generally unique to New England, serves as Andover's legislative body. It offers all registered voters of the community the opportunity to participate in the major decisions of the Town. Town Meeting is facilitated by an elected Town Moderator, who is responsible for appointing a nine member Finance Committee, which in turn is responsible for advising Town Meeting on matters brought before it.

The Town provides a full array of high quality services to the general public, including: full-time police and fire protection; schools for grades kindergarten through 12, (six elementary, three middle, one senior high, and one regional vocational technical high school); solid waste disposal and recycling; street maintenance and snow removal; public health and natural resource protection; community development and planning; elder, youth and veteran services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, purification, and distribution system, and provides sanitary waste disposal via connections to a regional treatment facility. During the summer months the Town operates Pomp's Pond, a family and youth oriented recreation area located off Abbot Street, which includes recreational and instructional swimming, shaded picnic tables, boat rentals, volleyball, and children's playground. The Town of Andover is committed to a high degree of community responsiveness, providing high quality services to its citizens, and conducting all its affairs in a professional manner.

The Town Manager is responsible for preparing and presenting the budget to the Finance Committee and the Board of Selectmen. The Selectmen review all requests and Town-wide issues and present a budget to Town Meeting for approval. A nine member Finance Committee reviews the budget and makes its independent recommendations to Town Meeting.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the department level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. These controls ensure compliance with the budget approved by Town Meeting.

### **Factors Affecting Economic Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Andover operates.

**Local economy:** Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail line, and proximity to international airports in Boston, MA and Manchester, NH, Andover is a true business “cross roads.” The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed use commercial areas. Andover is a highly sought after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, life science, pharmaceutical, biotech, and medical products. Andover’s ten largest commercial/industrial employers are Raytheon, Phillips Electronics, Internal Revenue Service, Wyeth BioPharma, Phillips Academy, Putnam Investments, Vicor, Verizon, Hewlett Packard Services, and Enterasys. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$6.84 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

The Town is currently working with the neighboring Towns of Wilmington and Tewksbury to refine the unified development plan for 700 acres of undeveloped land in the Lowell Junction area. Over the past several years there has been significant momentum in realizing a new Lowell Junction Interchange. Present schedule projections from MassDot & Federal Highway place the opening of a new Lowell Junction Interchange in 2016/17. The anticipated creation of a new interchange on I-93 near the Procter & Gamble (formerly Gillette) facility will make more than 395 acres of land accessible for industrial expansion with the potential of bringing online approximately 2 million square feet of new hi-tech office/industrial space. In total, the development area has a potential to yield approximately 4 million square feet of new office/industrial/commercial space (2 million square feet in Andover) with direct access off Route 93, with estimates that this in-fill development could support as many as 11,500 new jobs if fully developed.

The Towns of Andover, Tewksbury, and Wilmington are in the process of refining the vision by developing a form-based code (FBC) for the I-93 Tri-Town Interchange Development Area. The FBC will guide the thoughtful development of approximately 700 acres of land around the I-93 Lowell Junction Interchange within the three Towns. Form-based codes typically include recommendations on building height, massing, setbacks and set parameters for streets and streetscape. For Tri-Town, the FBC will set a design framework, goals and objectives for future development that correspond to the Unified Development Vision that was prepared back in 2007. The ultimate goal of the form-based code is to help facilitate more efficient land utilization, provide opportunities for increased tax revenues and increased economic development, while helping mitigate traffic congestion through

abutting residential neighborhoods. For further information relating to the I-93 Junction Development Area, please feel free to visit <http://andoverma.gov/planning/i93/>.

Looking to build off of the momentum generated by the recently completed Main Street Improvement Project, the Town's long term planning and economic initiatives are continuing within the central business district, specifically the Town Yard relocation and redevelopment project. The Town Yard Task Force was created in 2007, with the charge of evaluating the feasibility of the reuse of the Town Yard property and to consider alternatives for relocation of the existing Town Yard facility. Grant money was obtained to hire consultants to evaluate the property, the market, and the potential for redevelopment. The results are compelling and in 2010/2011, the Town Yard Task Force hopes to prepare the area for redevelopment through a tightly controlled process that is in keeping with the character of a central business district and is a better and more appropriate use of the property. At the 2010/2011 Town Meeting, the Task Force will present Design Guidelines and a Smart Growth Overlay District for the area. For further information on this initiative, please feel free to visit the project Website: <http://andover.gov/planning/townyard/>.

**Long-term financial planning:** The Town of Andover has a proud history of maintaining a solid financial position in all economies, as indicated by its "AAA" bond rating assigned by Standard & Poor. The Town's financial actions are generally guided by a number of formal financial policies including long range planning tools such as a multi-year forecast, a five year Capital Improvement Program, prioritizing spending plans and identifying discretionary spending, pay-as-you go financing strategies, long-term planning for all liabilities including pension and insurance reserves, and municipal best practices, which are reviewed annually at the beginning of each budget development cycle.

Given the number of years of reduced state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$92.5 million worth of long and short-term debt. This indebtedness consists of approximately \$87.9 million of general obligation bonds and \$4.6 million of short-term notes outstanding. Approximately \$37.9 million is self-supporting through enterprise fund revenues. Also, the Commonwealth will be reimbursing the Town approximately \$10.5 million of the general obligation bonds future principal and interest payments through a program to assist communities in the building of new school facilities.

The Town has authorized but not issued debt for land acquisition, landfill closure, school construction, water and sewer infrastructure and other various projects totaling \$26.7 million as of June 30, 2010.

The Town of Andover has enhanced its revenue flexibility by establishing enterprise funds and many other user supported programs. This has allowed the Town to shift the operating costs to the users of certain services so that little or no tax support goes towards providing these services. By doing so, the Town is able to provide the maximum tax dollars available to all other services.

An Audit Committee assists the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

**Cash management policies and practices:** The Town of Andover issues property tax bills quarterly and derives approximately 72% of annual General Fund revenue from this source. The quarterly billings result in a cyclical build-up and then spend-down of operational cash reserves. Every effort is made to put our reserves to work. For the past 12 months, this has been a challenging proposition due to the struggling economy and the accompanying weak financial markets which has resulted in a low rate of return for most traditional investment vehicles. The Federal Open Market Committee has dropped the Federal Funds Rate from 2.0% down to a sliding scale of 0.0% to .025%. Short term rates, and most permissible investments, are highly influenced by this rate. The Fed expects to keep this rate structure for an extended period of time because they are of the opinion that the

economic recovery will be a very slow and gradual process and raising rates could stagnate the recovery cycle. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

On a daily basis, the Treasurer's Office transfers funds into various depository accounts at local/regional banking institutions. Short term funds are transferred to various banks and financial institutions to obtain the highest competitive return. The Treasurer is responsible for having on hand adequate cash to pay invoices and fund payroll on a weekly basis. Regulations depicting the type of investments that general fund receipts and free cash can be invested in limit the Treasurer's ability to invest longer term. In today's challenging market environment, short-term earnings will be depressed for the foreseeable future.

The Treasurer continually evaluates cash flow data to determine the amount of money that can be invested for a longer term and thus, yield a higher return on investments. The Treasurer's Office operates on an aggregate cash basis and invests in the same manner. Currently, the maturities of the various investments range from 30 days to one year with an average maturity of approximately three months.

While maintaining a highly diversified investment portfolio, the Treasurer also aims to maintain competitive relationships with numerous banks and other financial institutions. Through these relationships, the Treasurer continually investigates new investment vehicles and products to assist in generating the highest possible yield, while at the same time maintaining safety and liquidity. Since short-term rates fluctuate frequently amongst these institutions, the Treasurer monitors the investments, and the market, to keep abreast of what is happening with the investment environment.

The Town's trust funds are managed by various financial institutions Trust Division's. Each trust fund has a distinct purpose which therefore will affect the mix of holdings in cash, fixed income securities and equities that will vary by fund depending on that fund's particular needs. The amount of annual income required and the timing of disbursements generally governs the types and the quantities of the investments in the fund's portfolio.

**Risk management:** The Town of Andover manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Health care and workers compensation are a combination of self-insured and premium based plans. The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and unemployment compensation claims. Buildings and property are fully insured against fire, theft and natural disaster to the extent that losses exceed the Town's deductible per incident. These deductibles vary by type of incident, none of which exceed \$25,000.

**Pension and other postemployment benefits:** The Town of Andover contributes to the Andover Contributory Retirement System (the System), a cost sharing defined benefit pension plan administered by the Andover Contributory Retirement Board. Every two years, an independent actuary engaged by the Andover Contributory Retirement Board calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System has succeeded in funding 55.7% of the present value of the projected benefits earned by employees based on the last actuarial valuation of January 2010. The remaining unfunded amount is being systematically funded over 31 years as part of the annual required contribution calculated by the actuary. The System will be conducting its next actuarial valuation as of January, 2012.

The Town of Andover also provides post retirement health care and life insurance benefits for certain retirees and their dependents. There were 366 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. For Fiscal 2009, the Town conducted an actuarial valuation to determine this unfunded liability and began to recognize the annual cost of reducing this liability in

addition to the current year benefits. In Fiscal 2010, the Town established a Postemployment Benefit Trust fund and made an initial deposit of \$258,120. Additional information on the Town of Andover's pension and post employment benefits can be found in the notes to the financial statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town received E-Government awards for the past four fiscal years from Common Cause Massachusetts in recognition of its commitment to open government by posting all key government records on its website. The Town was one of 10 organizations recognized by the Northeast Energy Efficiency Partnership as a "Municipal Leader for Energy Efficiency" for its demonstrated leadership in cost effective energy conservation initiatives. Also, the Department of Public Works received an award, "Water Utility of the Year", from the New England Waterworks Association for having the best public or private water treatment facility in the six state region. The Town was also one of only 35 cities and towns to receive the prestigious "Green Community" designation by the Commonwealth of Massachusetts' Department of Energy Resources. Green Communities, having met a number of important energy reduction goals are recognized as clean energy leaders, and are eligible for municipal renewable power and energy efficiency grants.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance and Accounting Department staffs. We would like to express our appreciation to all the members of the Departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen and Town Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover's finances. And special thanks to Theo Moccia, Assistant Town Accountant, who was instrumental in coordinating and providing support for the preparation of this report.

Respectfully submitted,



Reginald S. Stapczynski  
Town Manager



Rodney P. Smith  
Town Accountant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Andover  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



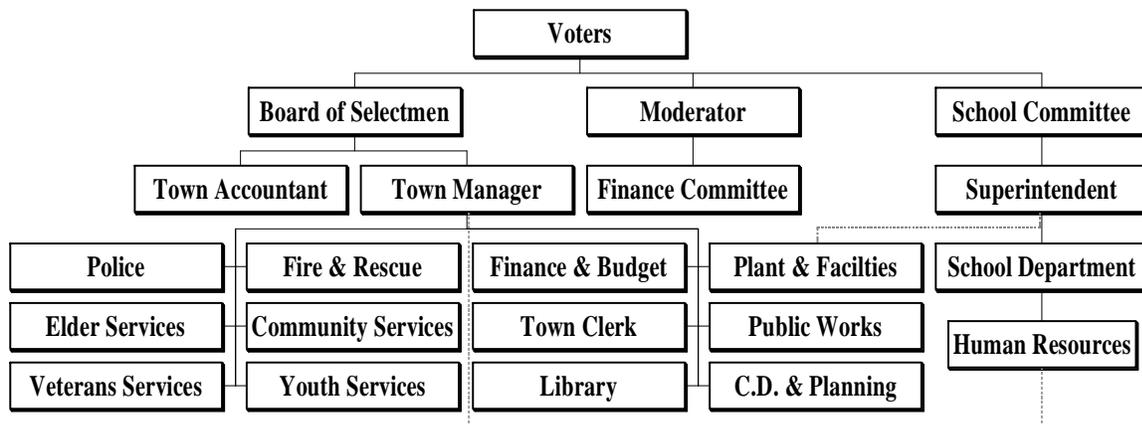
President

Executive Director

# Town of Andover



## ORGANIZATION



The Mission of the Town of Andover is to ensure the safety, education, and well-being of the community; to be a leader in the delivery of efficient and effective quality services that respond to community needs; to promote the continuous improvement of staff skills and performance; to encourage an environment of trust; to respect cultural and economic diversity; and to preserve the historic character of the community.

## Principal Town Officials

### Elected Officials

Board of Selectmen

Gerald Stabile, Jr., Chairman (Resigned 8/31/2010)  
Mary K. Lyman, Vice Chairman  
Alexander J. Vispoli, Chairman (Effective 9/1/2010)  
Brian P. Major  
Ted E. Teichert  
John P. Hess (Appointed 9/27/2010)

Town Moderator

Sheila M. Doherty

School Committee

Dennis F. Fogue, Chair  
Ann W. Gilbert, Secretary  
David A. Birnbach  
Richard J. Collins  
Paula M. Colby-Clements

### Appointed Officials

Town Manager

Reginald S. Stapczynski

Superintendent of Schools

Dr. Marinel McGrath

Town Accountant

Rodney P. Smith

Finance Director

Anthony J. Torrisi

Treasurer

David J. Reilly

Town Assessor

David Billard

Town Clerk

Lawrence J. Murphy (Effective 8/1/2010)

Fire Chief

Michael B. Mansfield

Police Chief

Brian J. Pattullo

Human Resources Director

Candace A. Hall-Nourse

Library Director

Beth H. Mazin

Plant & Facilities Director

Joseph R. Piantedosi (Retired 6/30/2010)

Public Works Director

John A. Petkus, Jr. (Retired 8/14/2010)

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## ***Financial Section***



Photo Source: Andover File Copy

# ***Financial Section***

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Andover, Massachusetts

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 Town of Andover, Massachusetts, as of and for the fiscal year ended June 30, 2010, (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2009), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Andover, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Town of Andover, Massachusetts, as of June 30, 2010, (except for the Andover Contributory Retirement System which is as of December 31, 2009), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, Andover Contributory Retirement System schedule of funding progress and employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions and other postemployment benefit plan actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Andover, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Powers & Sullivan". The signature is written in a cursive, flowing style.

December 15, 2010

# ***Management's Discussion and Analysis***

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## ***Management's Discussion and Analysis***

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- At the close of the current fiscal year, the Town's general fund and stabilization fund reported combined ending fund balances of \$9.2 million which represents 7.4% of total general fund budgetary basis expenditures.
- The assets of the Town of Andover exceeded liabilities at the close of the most recent fiscal year by \$138.2 million (net assets).
- The Town's noncurrent governmental liabilities (excluding debt) increased by \$12.9 million, which was primarily due to the recognition of other postemployment benefit (OPEB) liabilities.
- The Town's total governmental debt (short-term and long-term combined) decreased by (\$2.6) million during the current fiscal year. This was due to the net effect of \$11.6 million and \$6.4 million in principal payments on short-term and long-term debt, respectively, \$8.4 million of refunded debt and the issuance of \$10.3 million and \$13.5 million in short-term and long-term debt, respectively, which was primarily for school construction, public safety equipment, building renovations, and land acquisition.
- The Town's total business-type debt (short-term and long-term combined) decreased by (\$3.1) million during the current fiscal year. This was due to the net effect of \$3.3 million in principal payments on long-term debt, \$4.6 million of refunded debt and the issuance of \$300,000 and \$4.5 million in short-term and long-term debt, respectively for infrastructure improvements.
- The Town issued \$12.4 million of refunding bonds that were used to defease \$12.9 million of existing debt. This transaction decreased the Town's aggregate debt service payments by \$1.3 million and will result in an economic gain of \$1.2 million.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Town of Andover's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 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 include general government, plant and facilities, public safety, education, public works, community services, library, and interest. The business-type activities include the activities of water and sewer services.

The government-wide financial statements include not only the Town of Andover itself (known as the *primary government*), but also a legally separate public employee retirement system for which the Town of Andover is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 statements focus on *near-term inflows 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 financing 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Andover adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains two types of proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health and life insurance, unemployment compensation, workers' compensation, and general liability insurance.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic 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.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town of Andover’s assets exceeded liabilities by \$138.2 million at the close of Fiscal 2010, which was a decrease of (\$11.1) million from the prior year.

Net assets of \$140.6 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

An additional portion of net assets \$3.8 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* has a year end deficit of (\$6.2) million. The primary reason for this deficit balance is the recognition of other postemployment benefit liabilities.

At the end of the current fiscal year, the Town is able to report positive balances in two of three categories of net assets, for the Town as a whole and for its governmental activities. Its business-type activities reports positive balances in both categories.

The governmental activity and business-type activity components of the Town are presented on the following pages.

**Governmental Activities**

The Town’s assets exceeded liabilities for governmental activities by \$71.7 million at the close of Fiscal 2010.

	FY10	FY09
<b>Assets:</b>		
Current assets.....	\$ 37,560,244	\$ 34,744,896
Noncurrent assets (excluding capital).....	9,043,732	9,837,284
Capital assets.....	130,869,431	131,092,536
<b>Total assets.....</b>	<b>177,473,407</b>	<b>175,674,716</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	8,623,839	8,129,970
Noncurrent liabilities (excluding debt).....	41,591,000	28,997,000
Current debt.....	10,288,182	12,032,220
Noncurrent debt.....	45,231,355	45,199,693
<b>Total liabilities.....</b>	<b>105,734,376</b>	<b>94,358,883</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	92,996,891	89,103,313
Restricted.....	3,796,181	3,395,370
Unrestricted.....	(25,054,041)	(11,182,850)
<b>Total net assets.....</b>	<b>\$ 71,739,031</b>	<b>\$ 81,315,833</b>

	<u>FY10</u>	<u>FY09</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 11,373,195	\$ 10,653,290
Operating grants and contributions.....	26,038,045	25,833,302
Capital grants and contributions.....	1,062,707	1,044,667
<b>General Revenues:</b>		
Real estate and personal property taxes.....	100,368,252	96,597,993
Motor vehicle and other excise taxes.....	5,473,045	5,267,764
Nonrestricted grants.....	2,083,892	2,502,913
Unrestricted investment income.....	550,684	1,005,941
Other revenues.....	1,147,483	764,078
<b>Total revenues.....</b>	<b><u>148,097,303</u></b>	<b><u>143,669,948</u></b>
<b>Expenses:</b>		
General government.....	7,853,717	7,435,711
Plant and facilities.....	5,610,304	5,647,761
Public safety.....	20,464,627	21,464,611
Education.....	109,285,301	109,409,021
Public works.....	7,086,407	7,993,148
Community services.....	3,410,882	3,401,157
Library.....	4,158,325	4,230,163
Interest.....	1,692,345	2,157,682
<b>Total expenses.....</b>	<b><u>159,561,908</u></b>	<b><u>161,739,254</u></b>
<b>Excess (deficiency) before transfers.....</b>	<b>(11,464,605)</b>	<b>(18,069,306)</b>
<b>Transfers.....</b>	<b><u>1,887,803</u></b>	<b><u>1,993,961</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>(9,576,802)</u></b>	<b>\$ <u>(16,075,345)</u></b>

The governmental expenses totaled \$159.6 million of which \$38.5 million (24%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$109.6 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net assets decreased by \$9.6 million during the current fiscal year. This was primarily due to the recognition of (\$13.1) million of postemployment benefit liabilities, which was offset by a \$1.1 million capital grant from the Massachusetts Highway Department, positive budgetary results in the general fund, and a \$1.2 million increase in the special revenue funds that is due to timing differences between the receipt and expenditure of grant funds.

The \$999,000 decrease in public safety expense is due to retroactive salary payments made in fiscal 2009 that did not occur in fiscal 2010.

The \$907,000 decrease in public works expense is primarily due to retroactive salary payments made in fiscal 2009 that did not occur in fiscal 2010 and a decrease in snow and ice removal costs.

Operationally, education expenses increased by \$2.8 million due to a \$1.9 million increase in costs associated with employee benefits and pensions, as well as, a \$720,000 increase in the general fund school budget. This increase is not readily apparent in the comparative data shown on the preceding page as the fiscal 2009 amount includes a \$2.9 million expense to recognize the reduction of a long-term receivable due to certain costs exceeding the reimbursable criteria of the Massachusetts School Building Authority's school construction assistance program.

**Business-Type Activities**

For the Town's business-type activities, assets exceeded liabilities by \$66.5 million at the close of Fiscal 2010.

	<u>FY10</u>	<u>FY09</u>
<b>Assets:</b>		
Current assets.....	\$ 12,530,634	\$ 16,481,359
Noncurrent assets (excluding capital).....	12,530,095	13,431,101
Capital assets.....	<u>80,779,423</u>	<u>80,402,473</u>
<b>Total assets.....</b>	<b><u>105,840,152</u></b>	<b><u>110,314,933</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	617,394	764,424
Noncurrent liabilities (excluding debt).....	856,000	571,000
Current debt.....	3,065,689	3,309,710
Noncurrent debt.....	<u>34,802,018</u>	<u>37,639,299</u>
<b>Total liabilities.....</b>	<b><u>39,341,101</u></b>	<b><u>42,284,433</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	47,608,658	47,347,751
Unrestricted.....	<u>18,890,393</u>	<u>20,682,749</u>
<b>Total net assets.....</b>	<b><u>\$ 66,499,051</u></b>	<b><u>\$ 68,030,500</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ 10,198,163	\$ 10,605,712
Capital grants and contributions.....	229,534	10,798,240
<b>General Revenues:</b>		
Unrestricted investment income.....	<u>14,785</u>	<u>29,468</u>
<b>Total revenues.....</b>	<b><u>10,442,482</u></b>	<b><u>21,433,420</u></b>
<b>Expenses:</b>		
Water.....	5,423,483	6,533,573
Sewer.....	<u>4,662,645</u>	<u>4,273,853</u>
<b>Total expenses.....</b>	<b><u>10,086,128</u></b>	<b><u>10,807,426</u></b>
<b>Excess (deficiency) before transfers.....</b>	<b>356,354</b>	<b>10,625,994</b>
<b>Transfers.....</b>	<b><u>(1,887,803)</u></b>	<b><u>(1,993,961)</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (1,531,449)</u></b>	<b><u>\$ 8,632,033</u></b>

Business-type net assets of \$47.6 million (72%) represent the investment in capital assets while \$18.9 million (28%) is unrestricted. The Town's business-type net assets decreased by \$1.5 million in the current fiscal year.

The water department net assets decreased by \$523,000. The decrease was due to a \$233,000 increase in postemployment benefit liabilities and lower than anticipated consumption.

The sewer department net assets decreased by \$1.0 million. The decrease in net assets is mainly attributable to \$929,000 of sewer betterment revenues that were recognized in the fiscal 2009 financial statements, under the accrual basis of accounting, that was used to fund current year expenditures for the sewer fund.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$17.2 million, of which \$4.5 million is for the general fund, \$4.6 million is for Town grants/other revolving funds, \$4.7 million is for the stabilization fund and \$3.4 million is for nonmajor governmental funds. Cumulatively there was an increase of \$3.4 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.3 million, while total fund balance was \$4.5 million. Reservations of fund balance for encumbrances and continuing appropriations totaled \$1.2 million. Unreserved fund balance represents 2.7% of total general fund budgetary expenditures, while total fund balance represents 3.7% of that same amount. The general fund had an increase of \$952,000, which is due to better than expected budgetary results.

The Town grants/other revolving fund experienced an increase of \$588,000. This is primarily due to timing differences between the receipt and expenditure of grant funds.

The stabilization fund experienced an increase of \$261,000 due to the recognition of investment income.

The nonmajor funds experienced an increase of \$1.6 million due to timing differences between the receipt and expenditure of grant funds and the permanent financing and expenditure of capital project funds.

### ***General Fund Budgetary Highlights***

The \$1.1 million increase between the original budget and the final amended budget was primarily due to appropriations for health insurance, unemployment compensation, education and retiree benefits.

### ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Major capital events during the current fiscal year include the following:

- Governmental additions to buildings and improvements, machinery and equipment, infrastructure, vehicles and library books totaling \$6.1 million.
- Business-type additions of \$1.2 million in sewer infrastructure projects and \$2.1 million in water infrastructure and machinery and equipment.

**Debt Administration.** The Town of Andover maintains a AAA Bond Rating with Standard & Poor's Investors Service. The Town continues to maintain strong market access for both note and bond sales.

In order to take advantage of favorable interest rates the Town issued \$12.4 million of General Obligation Refunding Bonds during fiscal year 2010. \$12.3 million of general obligation bonds were defeased as an advance refunding by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. An additional \$600,000 of general obligation bonds were refunded at the call date of the bonds as a current refunding. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. The Town has decreased its aggregate debt service payments by \$1.3 million and will experience an economic gain of \$1.2 million. At June 30, 2010, \$12.3 million of general obligation bonds outstanding are considered defeased.

Outstanding long-term debt for governmental activities, as of June 30, 2010, totaled \$50.3 million, of which \$31.1 million is related to school projects and \$8.5 million is for public safety projects and the remaining balance of \$10.7 million is for other CIP related projects. The Town issued \$13.5 million of long-term bonds to refund existing debt and to fund school renovation projects, public safety, plant and facilities and other projects.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2010 the Town is scheduled to receive \$1 million of future interest grants and \$9.4 million of capital grants. The payment schedule of the Commonwealth is structured to match the debt service expenditures.

The Town has \$4.3 million in governmental bond anticipation notes outstanding at year-end that are due on February 25, 2011 and bearing interest rates ranging from 0.5% to 1.0%.

The sewer and water enterprise funds have \$26.4 million and \$11.1 million, respectively of outstanding long-term debt at year-end that is fully supported by rates and does not rely on a general fund subsidy.

The sewer enterprise fund has a \$300,000 bond anticipation note outstanding at year-end that is due on February 25, 2011 and bears an interest rate of 1.0%.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town 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 Town Accountant, Town Offices, 36 Bartlet Street, Andover, Massachusetts 01810.

# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 20,048,118	\$ 7,997,780	\$ 28,045,898
Investments.....	7,786,969	-	7,786,969
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,660,028	-	1,660,028
Tax liens.....	1,237,434	30,163	1,267,597
Motor vehicle and other excise taxes.....	384,491	-	384,491
User fees.....	-	3,644,596	3,644,596
Departmental and other.....	566,600	-	566,600
Special assessments.....	-	850,735	850,735
Intergovernmental.....	5,456,963	-	5,456,963
Tax foreclosures.....	244,660	-	244,660
Deferred charges on refunding.....	174,981	7,360	182,341
Total current assets.....	<u>37,560,244</u>	<u>12,530,634</u>	<u>50,090,878</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	134,562	-	134,562
Intergovernmental.....	8,202,072	-	8,202,072
Special assessments.....	-	12,511,967	12,511,967
Deferred charges on refunding.....	707,098	18,128	725,226
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	29,869,046	409,144	30,278,190
Depreciable.....	101,000,385	80,370,279	181,370,664
Total noncurrent assets.....	<u>139,913,163</u>	<u>93,309,518</u>	<u>233,222,681</u>
<b>TOTAL ASSETS.....</b>	<u><b>177,473,407</b></u>	<u><b>105,840,152</b></u>	<u><b>283,313,559</b></u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,027,821	186,612	1,214,433
Accrued payroll.....	4,570,618	22,627	4,593,245
Tax refunds payable.....	762,000	-	762,000
Accrued interest.....	446,698	254,588	701,286
Abandoned property.....	46,384	-	46,384
Other liabilities.....	27,318	8,567	35,885
Landfill closure.....	253,000	-	253,000
Compensated absences.....	1,297,000	145,000	1,442,000
Workers' compensation.....	193,000	-	193,000
Unamortized premium on bonds and notes payable.....	137,486	-	137,486
Bonds and notes payable.....	10,150,696	3,065,689	13,216,385
Total current liabilities.....	<u>18,912,021</u>	<u>3,683,083</u>	<u>22,595,104</u>
<b>NONCURRENT:</b>			
Landfill closure.....	12,782,000	-	12,782,000
Compensated absences.....	3,256,000	311,000	3,567,000
Workers' compensation.....	80,000	-	80,000
Other postemployment benefits.....	25,473,000	545,000	26,018,000
Unamortized premium on bonds and notes payable.....	755,356	-	755,356
Bonds and notes payable.....	44,475,999	34,802,018	79,278,017
Total noncurrent liabilities.....	<u>86,822,355</u>	<u>35,658,018</u>	<u>122,480,373</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>105,734,376</b></u>	<u><b>39,341,101</b></u>	<u><b>145,075,477</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	92,996,891	47,608,658	140,605,549
Restricted for:			
Permanent funds (cemetery, library and other):			
Expendable.....	497,686	-	497,686
Nonexpendable.....	1,274,207	-	1,274,207
Grants and gifts.....	2,024,288	-	2,024,288
Unrestricted.....	(25,054,041)	18,890,393	(6,163,648)
<b>TOTAL NET ASSETS.....</b>	<u><b>\$ 71,739,031</b></u>	<u><b>\$ 66,499,051</b></u>	<u><b>\$ 138,238,082</b></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 7,853,717	\$ 1,393,285	\$ 379,636	\$ -	\$ (6,080,796)
Plant and facilities.....	5,610,304	-	-	-	(5,610,304)
Public safety.....	20,464,627	3,755,724	335,878	-	(16,373,025)
Education.....	109,285,301	4,159,428	24,013,602	-	(81,112,271)
Public works.....	7,086,407	242,781	43,264	1,062,707	(5,737,655)
Community services.....	3,410,882	1,784,804	269,972	-	(1,356,106)
Library.....	4,158,325	37,173	621,184	-	(3,499,968)
Interest.....	1,692,345	-	374,509	-	(1,317,836)
<b>Total Governmental Activities.....</b>	<b>159,561,908</b>	<b>11,373,195</b>	<b>26,038,045</b>	<b>1,062,707</b>	<b>(121,087,961)</b>
<i>Business-Type Activities:</i>					
Water.....	5,423,483	6,107,981	-	1,490	685,988
Sewer.....	4,662,645	4,090,182	-	228,044	(344,419)
<b>Total Business-Type Activities.....</b>	<b>10,086,128</b>	<b>10,198,163</b>	<b>-</b>	<b>229,534</b>	<b>341,569</b>
<b>Total Primary Government.....</b>	<b>\$ 169,648,036</b>	<b>\$ 21,571,358</b>	<b>\$ 26,038,045</b>	<b>\$ 1,292,241</b>	<b>\$ (120,746,392)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(121,087,961)</b>	\$ <b>341,569</b>	\$ <b>(120,746,392)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	100,368,252	-	100,368,252
Tax liens.....	416,598	-	416,598
Motor vehicle excise taxes.....	4,510,747	-	4,510,747
Hotel/motel tax.....	962,298	-	962,298
Meals tax.....	136,239	-	136,239
Penalties and interest on taxes.....	286,866	-	286,866
Payments in lieu of taxes.....	-	-	-
Grants and contributions not restricted to specific programs.....	2,083,892	-	2,083,892
Unrestricted investment income.....	550,684	14,785	565,469
Miscellaneous.....	307,780	-	307,780
<i>Transfers, net</i> .....	<u>1,887,803</u>	<u>(1,887,803)</u>	<u>-</u>
Total general revenues, special items, and transfers.	<u>111,511,159</u>	<u>(1,873,018)</u>	<u>109,638,141</u>
Change in net assets.....	(9,576,802)	(1,531,449)	(11,108,251)
<i>Net Assets:</i>			
Beginning of year.....	<u>81,315,833</u>	<u>68,030,500</u>	<u>149,346,333</u>
End of year.....	\$ <u><u>71,739,031</u></u>	\$ <u><u>66,499,051</u></u>	\$ <u><u>138,238,082</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

	General	Town Grants/ Other Revolving	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 10,328,043	\$ 1,605,029	\$ -	\$ 7,337,204	\$ 19,270,276
Investments.....	-	3,027,945	4,759,024	-	7,786,969
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,660,028	-	-	-	1,660,028
Real estate tax deferrals.....	134,562	-	-	-	134,562
Tax liens.....	1,237,434	-	-	-	1,237,434
Motor vehicle and other excise taxes.....	384,491	-	-	-	384,491
Departmental and other.....	498,344	68,256	-	-	566,600
Intergovernmental.....	9,442,145	3,634,120	-	582,770	13,659,035
Tax foreclosures.....	244,660	-	-	-	244,660
<b>TOTAL ASSETS.....</b>	<b>\$ 23,929,707</b>	<b>\$ 8,335,350</b>	<b>\$ 4,759,024</b>	<b>\$ 7,919,974</b>	<b>\$ 44,944,055</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 752,162	\$ 104,621	\$ -	\$ 139,337	\$ 996,120
Accrued payroll.....	4,504,979	-	-	65,639	4,570,618
Tax refunds payable.....	762,000	-	-	-	762,000
Abandoned property.....	46,384	-	-	-	46,384
Other liabilities.....	27,318	-	-	-	27,318
Deferred revenues.....	13,378,666	3,674,155	-	-	17,052,821
Notes payable.....	-	-	-	4,285,000	4,285,000
<b>TOTAL LIABILITIES.....</b>	<b>19,471,509</b>	<b>3,778,776</b>	<b>-</b>	<b>4,489,976</b>	<b>27,740,261</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	1,208,156	-	-	-	1,208,156
Perpetual permanent funds.....	-	-	-	1,274,207	1,274,207
Unreserved:					
Undesignated, reported in:					
General fund.....	3,250,042	-	-	-	3,250,042
Special revenue funds.....	-	4,556,574	4,759,024	1,431,496	10,747,094
Capital projects funds.....	-	-	-	226,609	226,609
Permanent funds.....	-	-	-	497,686	497,686
<b>TOTAL FUND BALANCES.....</b>	<b>4,458,198</b>	<b>4,556,574</b>	<b>4,759,024</b>	<b>3,429,998</b>	<b>17,203,794</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 23,929,707</b>	<b>\$ 8,335,350</b>	<b>\$ 4,759,024</b>	<b>\$ 7,919,974</b>	<b>\$ 44,944,055</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2010

Total governmental fund balances.....		\$ 17,203,794
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		130,869,431
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		17,052,821
Internal service funds are used by management to account for unemployment, health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		473,141
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(446,698)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....	(50,341,695)	
Unamortized premium on bonds and notes payable.....	(892,842)	
Landfill closure.....	(13,035,000)	
Compensated absences.....	(4,553,000)	
Other postemployment benefits.....	<u>(25,473,000)</u>	
Net effect of reporting long-term liabilities.....		(94,295,537)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>882,079</u>
Net assets of governmental activities.....		<u>\$ 71,739,031</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2010

	General	Town Grants/ Other Revolving	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 100,472,493	\$ -	\$ -	\$ -	\$ 100,472,493
Motor vehicle excise taxes.....	4,472,857	-	-	-	4,472,857
Hotel/motel tax.....	962,298	-	-	-	962,298
Meals tax.....	136,239	-	-	-	136,239
Penalties and interest on taxes.....	286,866	-	-	-	286,866
Fees.....	-	227,825	-	-	227,825
Licenses and permits.....	1,523,489	-	-	-	1,523,489
Intergovernmental.....	22,369,078	2,089,399	-	5,297,009	29,755,486
Departmental and other.....	2,936,968	3,187,879	-	4,122,137	10,246,984
Contributions.....	-	8,076	-	30,759	38,835
Investment income.....	205,191	118,441	260,579	76,396	660,607
<b>TOTAL REVENUES.....</b>	<b>133,365,479</b>	<b>5,631,620</b>	<b>260,579</b>	<b>9,526,301</b>	<b>148,783,979</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,830,344	789,934	-	-	5,620,278
Plant and facilities.....	4,243,392	80,390	-	-	4,323,782
Public safety.....	13,749,772	1,263,526	-	338	15,013,636
Education.....	60,442,671	416,118	-	9,019,477	69,878,266
Public works.....	5,052,056	1,061,959	-	88,258	6,202,273
Community services.....	1,624,624	1,100,074	-	1,875	2,726,573
Library.....	2,494,766	154,219	-	10,881	2,659,866
Pension benefits.....	15,577,594	-	-	-	15,577,594
Property and liability insurance.....	485,701	-	-	-	485,701
Employee benefits.....	13,438,023	-	-	-	13,438,023
State and county charges.....	3,072,718	-	-	-	3,072,718
Capital outlay.....	-	-	-	5,717,723	5,717,723
Debt service:					
Principal.....	6,465,718	-	-	-	6,465,718
Interest.....	1,435,531	-	-	-	1,435,531
<b>TOTAL EXPENDITURES.....</b>	<b>132,912,910</b>	<b>4,866,220</b>	<b>-</b>	<b>14,838,552</b>	<b>152,617,682</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>452,569</b>	<b>765,400</b>	<b>260,579</b>	<b>(5,312,251)</b>	<b>(3,833,703)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	5,566,000	5,566,000
Issuance of refunding bonds.....	7,936,000	-	-	-	7,936,000
Premium from issuance of refunding bonds.....	892,842	-	-	-	892,842
Payment to refunded bonds escrow agent.....	(8,951,608)	-	-	-	(8,951,608)
Transfers in.....	2,103,947	258,120	-	1,375,000	3,737,067
Transfers out.....	(1,482,101)	(435,291)	-	(10,000)	(1,927,392)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>499,080</b>	<b>(177,171)</b>	<b>-</b>	<b>6,931,000</b>	<b>7,252,909</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>951,649</b>	<b>588,229</b>	<b>260,579</b>	<b>1,618,749</b>	<b>3,419,206</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,506,549</b>	<b>3,968,345</b>	<b>4,498,445</b>	<b>1,811,249</b>	<b>13,784,588</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 4,458,198</b>	<b>\$ 4,556,574</b>	<b>\$ 4,759,024</b>	<b>\$ 3,429,998</b>	<b>\$ 17,203,794</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds.....	\$	3,419,206
<p>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.</p>		
Capital outlay.....		6,098,620
Depreciation expense.....		<u>(6,310,565)</u>
Net effect of reporting capital assets.....		(211,945)
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.....		(11,160)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(689,169)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....		(5,566,000)
Issuance of refunding bonds.....		(7,936,000)
Payment to refunded bonds escrow agent.....		8,951,608
Debt service principal payments.....		6,465,718
Deferral of premium on bonds and notes payable.....		<u>(892,842)</u>
Net effect of reporting long-term debt.....		1,022,484
<p>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 the governmental funds.</p>		
Net change in compensated absences accrual.....		24,000
Net change in accrued interest on long-term debt.....		(157,340)
Net change in other postemployment benefits.....		(13,051,000)
Net change in landfill closure liability.....		215,000
Amortization of deferred charges on refunding.....		<u>(99,472)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....		(13,068,812)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(37,406)</u>
Change in net assets of governmental activities.....	\$	<u><u>(9,576,802)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents..... \$	2,722,090	\$ 5,275,690	\$ 7,997,780	\$ 777,842
Receivables, net of allowance for uncollectibles:				
User fees.....	2,240,566	1,404,030	3,644,596	-
Water and sewer liens.....	17,795	12,368	30,163	-
Special assessments.....	-	850,735	850,735	-
Deferred charges on refunding.....	7,360	-	7,360	-
Total current assets.....	<u>4,987,811</u>	<u>7,542,823</u>	<u>12,530,634</u>	<u>777,842</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	1,628	12,510,339	12,511,967	-
Deferred charges on refunding.....	18,128	-	18,128	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	266,017	143,127	409,144	-
Depreciable.....	40,290,953	40,079,326	80,370,279	-
Total noncurrent assets.....	<u>40,576,726</u>	<u>52,732,792</u>	<u>93,309,518</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u><b>45,564,537</b></u>	<u><b>60,275,615</b></u>	<u><b>105,840,152</b></u>	<u><b>777,842</b></u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	161,234	25,378	186,612	31,701
Accrued payroll.....	18,145	4,482	22,627	-
Accrued interest.....	68,448	186,140	254,588	-
Other liabilities.....	-	8,567	8,567	-
Compensated absences.....	129,000	16,000	145,000	-
Workers' compensation.....	-	-	-	193,000
Bonds and notes payable.....	975,689	2,090,000	3,065,689	-
Total current liabilities.....	<u>1,352,516</u>	<u>2,330,567</u>	<u>3,683,083</u>	<u>224,701</u>
<b>NONCURRENT:</b>				
Compensated absences.....	256,000	55,000	311,000	-
Workers' compensation.....	-	-	-	80,000
Other postemployment benefits.....	455,000	90,000	545,000	-
Bonds and notes payable.....	10,148,018	24,654,000	34,802,018	-
Total noncurrent liabilities.....	<u>10,859,018</u>	<u>24,799,000</u>	<u>35,658,018</u>	<u>80,000</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>12,211,534</b></u>	<u><b>27,129,567</b></u>	<u><b>39,341,101</b></u>	<u><b>304,701</b></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	32,921,043	14,687,615	47,608,658	-
Unrestricted.....	431,960	18,458,433	18,890,393	473,141
<b>TOTAL NET ASSETS..... \$</b>	<u><b>33,353,003</b></u>	<u><b>\$ 33,146,048</b></u>	<u><b>\$ 66,499,051</b></u>	<u><b>\$ 473,141</b></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<b><u>OPERATING REVENUES:</u></b>				
Employee contributions .....	\$ -	\$ -	\$ -	\$ 4,061,837
Employer contributions .....	-	-	-	13,191,350
Charges for services .....	6,107,981	4,090,182	10,198,163	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>6,107,981</b>	<b>4,090,182</b>	<b>10,198,163</b>	<b>17,253,187</b>
<b><u>OPERATING EXPENSES:</u></b>				
Cost of services and administration .....	3,234,578	2,525,789	5,760,367	-
Depreciation.....	1,824,744	1,136,672	2,961,416	-
Employee benefits .....	-	-	-	17,369,912
Property and liability insurance.....	-	-	-	1,300
<b>TOTAL OPERATING EXPENSES .....</b>	<b>5,059,322</b>	<b>3,662,461</b>	<b>8,721,783</b>	<b>17,371,212</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,048,659</b>	<b>427,721</b>	<b>1,476,380</b>	<b>(118,025)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
Investment income.....	692	14,093	14,785	2,491
Interest expense.....	(364,161)	(1,000,184)	(1,364,345)	-
Special assessments - betterments.....	1,490	228,044	229,534	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(361,979)</b>	<b>(758,047)</b>	<b>(1,120,026)</b>	<b>2,491</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>686,680</b>	<b>(330,326)</b>	<b>356,354</b>	<b>(115,534)</b>
<b><u>TRANSFERS:</u></b>				
Transfers in.....	24,601	-	24,601	78,128
Transfers out.....	(1,234,409)	(677,995)	(1,912,404)	-
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(1,209,808)</b>	<b>(677,995)</b>	<b>(1,887,803)</b>	<b>78,128</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(523,128)</b>	<b>(1,008,321)</b>	<b>(1,531,449)</b>	<b>(37,406)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>33,876,131</b>	<b>34,154,369</b>	<b>68,030,500</b>	<b>510,547</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 33,353,003</b>	<b>\$ 33,146,048</b>	<b>\$ 66,499,051</b>	<b>\$ 473,141</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 6,443,345	\$ 4,404,971	\$ 10,848,316	\$ 4,061,837
Receipts from interfund services provided.....	-	-	-	13,191,350
Payments to vendors.....	(1,521,490)	(2,118,460)	(3,639,950)	(1,300)
Payments to employees.....	(1,653,145)	(382,101)	(2,035,246)	(75,664)
Payments for interfund services used.....	-	-	-	(17,321,383)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>3,268,710</b>	<b>1,904,410</b>	<b>5,173,120</b>	<b>(145,160)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in.....	24,601	-	24,601	78,128
Transfers out.....	(1,234,409)	(677,995)	(1,912,404)	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(1,209,808)</b>	<b>(677,995)</b>	<b>(1,887,803)</b>	<b>78,128</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	360,000	4,434,000	4,794,000	-
Acquisition and construction of capital assets.....	(2,124,310)	(1,214,056)	(3,338,366)	-
Principal payments on bonds and notes.....	(1,760,302)	(6,115,000)	(7,875,302)	-
Special assessments.....	2,979	1,151,671	1,154,650	-
Interest expense.....	(358,178)	(944,640)	(1,302,818)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(3,879,811)</b>	<b>(2,688,025)</b>	<b>(6,567,836)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	692	14,093	14,785	2,491
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(1,820,217)</b>	<b>(1,447,517)</b>	<b>(3,267,734)</b>	<b>(64,541)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,542,307	6,723,207	11,265,514	842,383
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,722,090	\$ 5,275,690	\$ 7,997,780	\$ 777,842
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 1,048,659	\$ 427,721	\$ 1,476,380	\$ (118,025)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,824,744	1,136,672	2,961,416	-
Changes in assets and liabilities:				
Water and sewer liens.....	6,223	5,231	11,454	-
User fees.....	329,141	309,558	638,699	-
Warrants payable.....	(166,911)	(18,150)	(185,061)	(15,135)
Accrued payroll.....	(14,146)	(2,921)	(17,067)	-
Other postemployment benefits.....	233,000	46,000	279,000	-
Other liabilities.....	-	299	299	-
Accrued compensated absences.....	8,000	-	8,000	-
Workers' compensation.....	-	-	-	(12,000)
Total adjustments.....	2,220,051	1,476,689	3,696,740	(27,135)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 3,268,710</b>	<b>\$ 1,904,410</b>	<b>\$ 5,173,120</b>	<b>\$ (145,160)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents..... \$	454,184	\$ 143,706	\$ 925,466
Investments:			
PRIT funds.....	77,182,257	-	-
Government sponsored enterprises.....	-	948,251	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	2,615,163	-	-
<b>TOTAL ASSETS.....</b>	<b>80,251,604</b>	<b>1,091,957</b>	<b>925,466</b>
<b>LIABILITIES</b>			
Warrants payable.....	201	-	-
Liabilities due depositors.....	-	-	925,466
<b>TOTAL LIABILITIES.....</b>	<b>201</b>	<b>-</b>	<b>925,466</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes..... \$	80,251,403	\$ 1,091,957	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 4,632,127	\$ -
Employee.....	3,135,624	-
Total contributions.....	7,767,751	-
Net investment income (loss):		
Net change in fair value of investments.....	9,615,157	104,905
Interest.....	2,067,743	2,741
Total investment income (loss).....	11,682,900	107,646
Less: investment expense.....	(403,620)	-
Net investment income (loss).....	11,279,280	107,646
Intergovernmental.....	134,186	-
Transfers from other systems.....	175,510	-
TOTAL ADDITIONS.....	19,356,727	107,646
<b>DEDUCTIONS:</b>		
Administration.....	166,239	8,122
Transfers to other systems.....	263,080	-
Retirement benefits and refunds.....	8,274,893	-
Educational scholarships.....	-	16,825
TOTAL DEDUCTIONS.....	8,704,212	24,947
CHANGE IN NET ASSETS.....	10,652,515	82,699
NET ASSETS AT BEGINNING OF YEAR.....	69,598,888	1,009,258
NET ASSETS AT END OF YEAR.....	\$ 80,251,403	\$ 1,091,957

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of Andover, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town is a municipal corporation that is governed by an elected Board of Selectmen (the Board).

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Blended Component Units* – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Andover Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Town Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Town Manager and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

**Availability of Financial Information for Component Units**

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 36 Bartlet Street, Andover, Massachusetts 01810.

**B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *town grants/other revolving* fund is used to account for the non-school related activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and grant funds received from state and federal governments which are designated for specific programs.

The *stabilization* fund is used to account for the accumulation of resources to provide general and/or capital reserves.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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 the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health and life insurance, unemployment compensation, workers' compensation and general liability insurance.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The Town accounts for contractor's security deposits, local church deposits and receipts and disbursements on behalf of the Merrimack Valley Library Consortium in this fund.

#### *Government-Wide and Fund Financial Statements*

For enterprise fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes, and Tax Liens***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Tax liens may be subject to a foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, §50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties can then be sold through advertised public auction or held for use by the Town.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***Water and Sewer User Fees***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at fiscal year-end and are recorded as revenue in the current period. Water and Sewer liens are processed in December of every year and are included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Departmental and Other***

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**F. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**G. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles, library books and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction-in-progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and building improvements.....	5-50
Machinery and equipment.....	3-20
Vehicles.....	5
Library books.....	10
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

*Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

*Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

*Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Fund Deficits

The school capital projects fund has a deficit of \$1.4 million. This deficit will be funded with bond proceeds in future fiscal years.

The worker's compensation fund has a deficit of \$261,000. This deficit will be funded with available fund balance in future fiscal years.

## P. Use of Estimates

### *Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## Q. Total Column

### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit (CD's), repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Andover's deposits may not be returned to it. The Town's policy allows unlimited deposits in bank accounts or CD's (up to one year maturity) that are fully collateralized through a third party agreement. For uncollateralized bank accounts and CD's, deposits may not exceed Federal Deposit Insurance Corporation (FDIC) or other deposit insurance coverage unless the bank has received the highest bank rating as determined by a recognized bank rating firm. These

deposits will be limited to no more than 5% of an institution’s assets and no more than 10% of the Town’s cash. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. CD’s will be purchased for no more than three months and will be reviewed frequently. The Town’s policy also allows unlimited investments in money market funds, which are allowed by statute and are considered to be liquid funds.

At fiscal year-end, the carrying amount of deposits totaled \$26,872,502 and the bank balance totaled \$28,741,463. Of the bank balance, \$2,144,588 was covered by Federal Depository Insurance and \$26,596,875 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009, the carrying amount of deposits for the Retirement System totaled \$454,184 and the bank balance totaled \$516,741. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$81,081 in government agencies, \$7,731,059 in government sponsored enterprises, \$17,649 in Corporate Bonds and \$183,446 in equity securities, the Town has a custodial credit risk exposure of \$8,013,235 because the related securities are uninsured, unregistered and held by the counterparty. The Town’s policy requires all securities, not held directly by the Town, to be held in the Town’s name and tax identification number by a third party custodian approved by the Treasurer.

The System does not have any investments subject to custodial credit risk. The System does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Town’s investment policy limits investment maturities to one year, except for the trust funds which are not limited, as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not have formal investment policies that limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

As of June 30, 2010, the Town of Andover had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1 to 5	6 to 10
<u>Debt Securities:</u>				
Government agencies.....	\$ 55,971	\$ -	\$ -	\$ 55,971
Government sponsored enterprises.....	7,756,169	207,562	5,579,449	1,969,158
Corporate bonds.....	17,649	-	17,649	-
Total debt securities.....	7,829,789	\$ 207,562	\$ 5,597,098	\$ 2,025,129
<u>Other Investments:</u>				
Money market mutual funds.....	527,112			
Equity securities.....	183,466			
Equity mutual funds.....	721,965			
MMDT.....	1,715,456			
Total investments.....	\$ 10,977,788			

As of December 31, 2009, the Retirement System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
PRIT.....	\$ <u>77,182,257</u>

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 8.58 years.

Credit Risk

The Town’s investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry a AAA rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. Standard & Poor’s Investors Service rated \$7,756,169 of government sponsored enterprise securities AAA, \$17,649 of corporate bonds BBB and \$1,715,456 of MMDT shares were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$77,182,257 of PRIT shares were unrated.

Concentration of Credit Risk

The Town will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. No more than 5 percent of the Town’s investments are invested in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. The System did not have any investments that were subject to concentration of credit risk.

**NOTE 3 – RECEIVABLES**

At June 30, 2010, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,660,028	\$ -	\$ 1,660,028
Real estate tax deferrals.....	134,562	-	134,562
Tax liens.....	1,237,434	-	1,237,434
Motor vehicle and other excise taxes.....	973,644	(589,153)	384,491
Departmental and other.....	566,600	-	566,600
Intergovernmental.....	13,659,035	-	13,659,035
 Total.....	 <u>\$ 18,231,303</u>	 <u>\$ (589,153)</u>	 <u>\$ 17,642,150</u>

At June 30, 2010, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 2,240,566	\$ -	\$ 2,240,566
Sewer user fees.....	1,404,030	-	1,404,030
Water liens.....	17,795	-	17,795
Sewer liens.....	12,368	-	12,368
Water special assessments.....	1,628	-	1,628
Sewer special assessments.....	13,361,074	-	13,361,074
 Total.....	 <u>\$ 17,037,461</u>	 <u>\$ -</u>	 <u>\$ 17,037,461</u>

Governmental funds report *deferred revenue* 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 *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,436,715	\$ -	\$ 1,436,715
Real estate tax deferrals.....	134,562	-	134,562
Tax liens.....	1,237,434	-	1,237,434
Tax foreclosure.....	244,660	-	244,660
Motor vehicle and other excise.....	384,491	-	384,491
Departmental.....	498,659	67,941	566,600
Intergovernmental.....	9,442,145	3,606,214	13,048,359
 Total.....	 <u>\$ 13,378,666</u>	 <u>\$ 3,674,155</u>	 <u>\$ 17,052,821</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 29,433,517	\$ -	\$ -	\$ 29,433,517
Construction in progress.....	-	435,529	-	435,529
<b>Total capital assets not being depreciated.....</b>	<b><u>29,433,517</u></b>	<b><u>435,529</u></b>	<b><u>-</u></b>	<b><u>29,869,046</u></b>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	147,489,356	3,441,967	-	150,931,323
Machinery and equipment.....	8,416,197	466,652	-	8,882,849
Infrastructure.....	32,554,277	1,161,640	-	33,715,917
Vehicles.....	5,524,332	272,616	(164,619)	5,632,329
Library books.....	5,506,904	320,216	-	5,827,120
<b>Total capital assets being depreciated.....</b>	<b><u>199,491,066</u></b>	<b><u>5,663,091</u></b>	<b><u>(164,619)</u></b>	<b><u>204,989,538</u></b>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(66,130,376)	(3,891,052)	-	(70,021,428)
Machinery and equipment.....	(4,798,937)	(933,223)	-	(5,732,160)
Infrastructure.....	(20,007,591)	(678,024)	-	(20,685,615)
Vehicles.....	(3,021,056)	(452,756)	153,459	(3,320,353)
Library books.....	(3,874,087)	(355,510)	-	(4,229,597)
<b>Total accumulated depreciation.....</b>	<b><u>(97,832,047)</u></b>	<b><u>(6,310,565)</u></b>	<b><u>153,459</u></b>	<b><u>(103,989,153)</u></b>
<b>Total capital assets being depreciated, net.....</b>	<b><u>101,659,019</u></b>	<b><u>(647,474)</u></b>	<b><u>(11,160)</u></b>	<b><u>101,000,385</u></b>
<b>Total governmental activities capital assets, net.....</b>	<b><u>\$ 131,092,536</u></b>	<b><u>\$ (211,945)</u></b>	<b><u>\$ (11,160)</u></b>	<b><u>\$ 130,869,431</u></b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	296,775	27,997	(296,775)	27,997
Total capital assets not being depreciated.....	411,905	27,997	(296,775)	143,127
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,281,181	-	-	1,281,181
Machinery and equipment.....	96,278	-	-	96,278
Infrastructure.....	50,663,780	1,482,834	-	52,146,614
Vehicles.....	91,351	-	-	91,351
Total capital assets being depreciated.....	52,132,590	1,482,834	-	53,615,424
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(880,812)	(32,030)	-	(912,842)
Machinery and equipment.....	(27,689)	(7,914)	-	(35,603)
Infrastructure.....	(11,419,764)	(1,083,268)	-	(12,503,032)
Vehicles.....	(71,161)	(13,460)	-	(84,621)
Total accumulated depreciation.....	(12,399,426)	(1,136,672)	-	(13,536,098)
Total capital assets being depreciated, net.....	39,733,164	346,162	-	40,079,326
Total sewer business-type activities capital assets, net.....	\$ 40,145,069	\$ 374,159	\$ (296,775)	\$ 40,222,453

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	430,855	-	(430,855)	-
Total capital assets not being depreciated.....	696,872	-	(430,855)	266,017
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	391,523	368,713	-	760,236
Machinery and equipment.....	707,296	1,978,469	-	2,685,765
Infrastructure.....	80,777,642	207,983	-	80,985,625
Vehicles.....	247,749	-	-	247,749
Total capital assets being depreciated.....	82,124,210	2,555,165	-	84,679,375
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(54,100)	(14,173)	-	(68,273)
Machinery and equipment.....	(461,055)	(76,551)	-	(537,606)
Infrastructure.....	(41,826,225)	(1,723,764)	-	(43,549,989)
Vehicles.....	(222,298)	(10,256)	-	(232,554)
Total accumulated depreciation.....	(42,563,678)	(1,824,744)	-	(44,388,422)
Total capital assets being depreciated, net.....	39,560,532	730,421	-	40,290,953
Total water business-type activities capital assets, net.....	\$ 40,257,404	\$ 730,421	\$ (430,855)	\$ 40,556,970

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

**Governmental Activities:**

General government.....	\$ 197,333
Public safety.....	724,508
Education.....	3,404,858
Public works.....	993,667
Plant and facilities.....	117,683
Library.....	757,473
Community services.....	<u>115,043</u>

Total depreciation expense - governmental activities..... \$ 6,310,565

**Business-Type Activities:**

Sewer.....	\$ 1,136,672
Water.....	<u>1,824,744</u>

Total depreciation expense - business-type activities..... \$ 2,961,416

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Town Grants/ Other Revolving	Nonmajor Governmental Funds	Water Enterprise Fund	Internal Service Funds	
General Fund.....	\$ -	\$ 157,500	\$ 1,300,000	\$ 24,601	\$ -	\$ 1,482,101 (1)
Town Grants/Other Revolving....	282,163	-	75,000	-	78,128	435,291 (2)
Nonmajor Governmental Funds..	10,000	-	-	-	-	10,000 (3)
Water Enterprise Fund.....	1,234,409	-	-	-	-	1,234,409 (4)
Sewer Enterprise Fund.....	<u>577,375</u>	<u>100,620</u>	-	-	-	<u>677,995 (4)</u>
Total.....	<u>\$ 2,103,947</u>	<u>\$ 258,120</u>	<u>\$ 1,375,000</u>	<u>\$ 24,601</u>	<u>\$ 78,128</u>	<u>\$ 3,839,796</u>

- (1) Represents a transfer to establish a reserve for OPEB, a transfer to the capital projects funds for the current year capital article and the transfer of the amount raised on the tax levy to fund the prior year water deficit.
- (2) Represents the transfer of other available funds to the general fund, a transfer from the Wood Memorial trust to the Wood park capital projects fund and a transfer from the insurance proceeds over \$20,000 to the municipal building insurance fund.
- (3) Represents a transfer from the spring grove cemetery trust fund to the general fund.
- (4) Represents the transfer of indirect costs to the general fund and a transfer to the OPEB reserve.

**NOTE 6 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, is as follows:

<b>Governmental Funds</b>				Balance at	Renewed/	Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2009	Issued	Redeemed	June 30, 2010
BAN	Main street.....	1.00%	03/25/10	\$ 224,000	\$ -	\$ 224,000	\$ -
BAN	Bancroft school study.....	1.00%	03/25/10	300,000	-	300,000	-
BAN	School roof.....	1.00%	03/25/10	1,500,000	-	1,500,000	-
BAN	School building renovation.....	1.00%	03/25/10	1,000,000	-	1,000,000	-
BAN	School building renovation.....	1.00%	03/25/10	300,000	-	300,000	-
BAN	Town building renovation.....	1.00%	03/25/10	400,000	-	400,000	-
BAN	Park lighting.....	1.00%	03/25/10	100,000	-	100,000	-
BAN	Fire and public works vehicles.....	1.00%	03/25/10	973,000	-	973,000	-
BAN	Main street.....	1.00%	03/25/10	269,500	-	269,500	-
BAN	Landfill closure.....	1.00%	03/25/10	500,000	-	500,000	-
RAN	Revenue Anticipation.....	1.00%	02/11/10	-	6,000,000	6,000,000	-
BAN	School building renovation.....	1.00%	02/25/11	-	1,960,000	-	1,960,000
BAN	Landfill closure.....	1.00%	02/25/11	-	300,000	-	300,000
BAN	Land acquisition.....	1.00%	02/25/11	-	100,000	-	100,000
BAN	Town building renovation.....	1.00%	02/25/11	-	650,000	-	650,000
BAN	Blanchard street ballfield.....	1.00%	02/25/11	-	100,000	-	100,000
BAN	Bridge repairs.....	1.00%	02/25/11	-	400,000	-	400,000
BAN	Drainage.....	1.00%	02/25/11	-	280,000	-	280,000
BAN	Bancroft school study.....	1.00%	02/25/11	-	195,000	-	195,000
BAN	Landfill closure.....	0.50%	02/25/11	-	300,000	-	300,000
Total Governmental.....				\$ 5,566,500	\$ 10,285,000	\$ 11,566,500	\$ 4,285,000
<b>Enterprise Funds</b>				Balance at	Renewed/	Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2009	Issued	Redeemed	June 30, 2010
BAN	Sewer project.....	1.00%	02/25/11	\$ -	\$ 300,000	\$ -	\$ 300,000

**NOTE 7 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

In order to take advantage of favorable interest rates the Town issued \$12,430,000 of General Obligation Refunding Bonds during fiscal year 2010. \$12,320,000 of general obligation bonds were defeased as an advance refunding by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. An additional \$600,000 of general obligation bonds were refunded at the call date of the bonds as a current refunding. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. The Town has decreased its aggregate debt service payments by \$1,276,536 and will experience an economic gain of \$1,213,412. At June 30, 2010, \$12,320,000 of general obligation bonds outstanding are considered defeased.

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in the escrow nor the liability for the defeased bonds are included in the Town's financial statements. At June 30, 2010, \$11,900,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010	
Public safety.....	2.00 - 5.00	\$ 8,749,384	\$ 6,235,000	\$ 6,455,923	\$ 8,528,461	(1)
School projects.....	2.00 - 5.72	31,950,104	5,774,000	6,610,066	31,114,038	(1)
Public works.....	2.75 - 5.13	1,585,000	993,000	330,000	2,248,000	(2)
Plant and facilities.....	2.75 - 5.00	2,223,000	400,000	475,000	2,148,000	(1)
Land acquisition.....	3.50 - 5.98	6,830,000	-	900,000	5,930,000	(1)
Culture and recreation.....	2.75 - 5.00	327,925	100,000	54,729	373,196	(1)
Total Governmental bonds payable.....		<u>\$ 51,665,413</u>	<u>\$ 13,502,000</u>	<u>\$ 14,825,718</u>	<u>\$ 50,341,695</u>	

- (1) Debt issued to finance Town capital expenditures.
- (2) Debt issued to finance Town capital expenditures with the exception of \$910,000 for landfill closure.

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011..... \$	5,865,696 \$	2,168,823 \$	8,034,519
2012.....	5,793,999	1,765,589	7,559,588
2013.....	4,993,000	1,407,980	6,400,980
2014.....	4,679,500	1,251,053	5,930,553
2015.....	4,454,499	1,095,878	5,550,377
2016.....	4,390,000	931,965	5,321,965
2017.....	3,435,001	773,530	4,208,531
2018.....	2,755,000	652,769	3,407,769
2019.....	2,605,000	543,012	3,148,012
2020.....	2,305,000	431,529	2,736,529
2021.....	2,085,000	338,641	2,423,641
2022.....	1,675,000	261,490	1,936,490
2023.....	1,425,000	196,415	1,621,415
2024.....	970,000	146,116	1,116,116
2025.....	915,000	113,156	1,028,156
2026.....	835,000	70,313	905,313
2027.....	530,000	41,560	571,560
2028.....	440,000	20,738	460,738
2029.....	190,000	4,512	194,512
Totals..... \$	<u>50,341,695 \$</u>	<u>12,215,067 \$</u>	<u>62,556,762</u>

**Bonds and Notes Payable Schedule – Enterprise Funds**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2010</u>
Sewer projects.....	2.75 - 5.00	\$ 28,425,000	\$ 4,134,000	\$ 6,115,000	\$ 26,444,000 (1)
Water projects.....	2.00 - 5.61	12,524,009	360,000	1,760,302	11,123,707 (1)
Total Enterprise bonds payable.....		<u>\$ 40,949,009</u>	<u>\$ 4,494,000</u>	<u>\$ 7,875,302</u>	<u>\$ 37,567,707</u>

(1) Debt issued to finance Town capital expenditures.

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011.....	\$ 2,765,689	\$ 1,535,600	\$ 4,301,289
2012.....	2,606,036	1,441,670	4,047,706
2013.....	2,506,785	1,157,605	3,664,390
2014.....	2,395,129	1,076,194	3,471,323
2015.....	2,400,070	994,296	3,394,366
2016.....	2,409,613	907,647	3,317,260
2017.....	2,389,756	816,765	3,206,521
2018.....	2,380,004	728,986	3,108,990
2019.....	2,375,358	637,224	3,012,582
2020.....	2,415,819	540,812	2,956,631
2021.....	2,416,391	446,951	2,863,342
2022.....	2,417,076	353,562	2,770,638
2023.....	2,002,876	267,024	2,269,900
2024.....	1,768,792	193,474	1,962,266
2025.....	1,279,829	138,185	1,418,014
2026.....	1,160,987	92,863	1,253,850
2027.....	1,167,269	51,588	1,218,857
2028.....	552,238	19,781	572,019
2029.....	157,990	5,632	163,622
Totals.....	\$ <u>37,567,707</u>	\$ <u>11,405,858</u>	\$ <u>48,973,565</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2010, approximately \$1,551,000 of such assistance was received. Approximately \$10,451,000 will be received in future fiscal years. Of this amount, approximately \$1,009,000 represents reimbursement of long-term interest costs, and approximately \$9,442,000 represents reimbursement of approved construction costs. Accordingly, a \$9,442,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Land acquisition.....	\$ 880,000
Landfill.....	9,070,000
Municipal buildings.....	2,288,000
Public safety.....	225,000
Public works.....	2,006,500
School projects.....	5,010,000
Sewer projects.....	5,425,000
Water projects.....	<u>1,750,648</u>
Total.....	\$ <u>26,655,148</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Long-term bonds and notes.....	\$ 51,665,413	\$ 13,502,000	\$ (14,825,718)	\$ 50,341,695	\$ 5,865,696
Unamortized premium on bonds and notes payable.....	-	892,842	-	892,842	137,486
Other postemployment benefits.....	12,422,000	18,483,000	(5,432,000)	25,473,000	-
Workers' compensation.....	285,000	96,000	(108,000)	273,000	193,000
Compensated absences.....	4,577,000	1,217,000	(1,241,000)	4,553,000	1,297,000
Landfill closure.....	13,250,000	104,000	(319,000)	13,035,000	253,000
Total governmental activity long-term liabilities.....	<u>\$ 82,199,413</u>	<u>\$ 34,294,842</u>	<u>\$ (21,925,718)</u>	<u>\$ 94,568,537</u>	<u>\$ 7,746,182</u>
<b>Business-Type Activities:</b>					
Long-term bonds and notes.....	\$ 40,949,009	\$ 4,494,000	\$ (7,875,302)	\$ 37,567,707	\$ 2,765,689
Other postemployment benefits.....	266,000	395,000	(116,000)	545,000	-
Compensated absences.....	448,000	151,000	(143,000)	456,000	145,000
Total business-type activity long-term liabilities.....	<u>\$ 41,663,009</u>	<u>\$ 5,040,000</u>	<u>\$ (8,134,302)</u>	<u>\$ 38,568,707</u>	<u>\$ 2,910,689</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, internal service fund accrued liabilities for workers' compensation of \$273,000 is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

**NOTE 8 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance.

The Town participates in premium-based health care plans for its active employees and retirees. The Town is self-insured for its workers' compensation and unemployment compensation activities. Settlements have not exceeded coverage for each of the past three fiscal years. These activities are accounted for in the Town's internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. The incurred but not reported liability related to unemployment claims is immaterial and therefore not recorded.

*(a) Workers' Compensation*

The Town participates in a Retrospective Rating Plan for which the Town employs a third party administrator. Workers' compensation claims are administered by the third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type.

At June 30, 2010, the amount of the liability for workers' compensation claims totaled \$273,000. Changes in the reported liability since July 1, 2008, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2009.....	\$ 485,000	\$ (58,000)	\$ (142,000)	\$ 285,000	\$ 160,000
Fiscal Year 2010.....	285,000	96,000	(108,000)	273,000	193,000

**NOTE 9 - PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10,942,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Andover Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 36 Bartlet Street, Andover, Massachusetts 01810.

At December 31, 2009, the System's membership consists of the following:

Active members.....	679
Inactive members.....	138
Disabled members.....	39
Retirees and beneficiaries currently receiving benefits.....	<u>323</u>
Total.....	<u><u>1,179</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

*Annual Pension Cost* - The Town's contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,583,113, \$4,458,594, and \$4,341,568, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of

4.75%, 5.00% and 5.25% per year for groups 1, 2 and 4, respectively. The actuarial value of the System's assets is determined in accordance with the deferred recognition method. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an increasing basis. The remaining amortization period at January 1, 2010, was 31 years. The System is scheduled to be fully funded by 2040 which meets the MGL requirement of full funding by fiscal 2040. The Town's funded rate was 55% as of the last actuarial valuation.

**Schedule of Funding Progress  
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 92,289	\$ 167,447	\$ 75,158	55%	\$ 32,416	232%
01/01/07	99,953	136,899	36,946	73%	30,468	121%
01/01/04	81,431	104,232	22,801	78%	27,551	83%
01/01/01	69,752	86,928	17,176	80%	24,596	70%
01/01/99	59,350	76,915	17,565	77%	21,631	81%
01/01/98	48,768	71,164	22,396	69%	20,700	108%

Funding progress is reported based on the actuarial valuation performed by the System. The Town is responsible for approximately 99% of the unfunded liability.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

**NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$13,035,000 as the estimate of the landfill closure liability at June 30, 2010, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Andover administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through the Town's group health and life insurance plans, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

*Annual OPEB Cost and Net OPEB Obligation* – The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 19,029,000
Interest on net OPEB obligation.....	444,000
Adjustment to annual required contribution.....	<u>(595,000)</u>
Annual OPEB cost (expense).....	18,878,000
Contributions made.....	<u>(5,548,000)</u>
Increase in net OPEB obligation.....	13,330,000
Net OPEB obligation--beginning of year.....	<u>12,688,000</u>
Net OPEB obligation--end of year.....	<u>\$ 26,018,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 18,878,000	29%	\$ 26,018,000
6/30/2009	18,051,000	30%	12,688,000

*Funded Status and Funding Progress* – As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$245.1 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$80.8 million, and the ratio of the UAAL to the covered payroll was 304%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions, presented as required supplementary information following the notes to the

financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 3.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical care inflation rate of 8.5% initially, graded to 5% over 8 years. The UAAL is being amortized over a 30-year period, using the level percentage of projected payroll method, on a closed basis, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2010 is 28 years.

#### **NOTE 12 – COMMITMENTS**

The Town of Andover has contracted with Allied Waste (formerly BFI) for refuse collection and hauling through June 30, 2011. The fiscal year 2010 cost to the Town under the Allied contract is approximately \$900,000.

The Town has contracted with Integrated Paper for recycling collection and hauling through June 30, 2011. The fiscal year 2010 cost to the Town under the Integrated Paper contract is approximately \$292,000.

#### **NOTE 13 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

**NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

*Other Future GASB Pronouncements:*

- The GASB issued Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in Fiscal 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.

# ***Required Supplementary Information***

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget	Actual Amounts		
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 100,467,310	\$ 100,467,310	\$ 100,406,493	\$ -	(60,817)
Motor vehicle excise taxes.....	4,519,000	4,519,000	4,472,857	-	(46,143)
Hotel/motel tax.....	961,764	961,764	962,298	-	534
Meals tax.....	207,000	207,000	136,239	-	(70,761)
Penalties and interest on taxes.....	303,000	303,000	286,866	-	(16,134)
Licenses and permits.....	1,138,000	1,138,000	1,523,489	-	385,489
Intergovernmental.....	11,537,545	11,537,545	11,426,982	-	(110,563)
Departmental and other.....	2,869,519	2,869,519	2,936,968	-	67,449
Investment income.....	300,000	300,000	205,191	-	(94,809)
<b>TOTAL REVENUES.....</b>	<b>122,303,138</b>	<b>122,303,138</b>	<b>122,357,383</b>	<b>-</b>	<b>54,245</b>
<b>EXPENDITURES:</b>					
Current:					
General government:					
Personal services.....	3,765,278	3,766,319	3,766,200	-	119
Other expenses.....	1,263,643	1,054,953	991,324	57,192	6,437
<b>TOTAL.....</b>	<b>5,028,921</b>	<b>4,821,272</b>	<b>4,757,524</b>	<b>57,192</b>	<b>6,556</b>
Public safety:					
Personal services.....	12,973,011	12,828,011	12,694,646	24,989	108,376
Other expenses.....	1,335,925	1,305,925	1,055,126	219,910	30,889
<b>TOTAL.....</b>	<b>14,308,936</b>	<b>14,133,936</b>	<b>13,749,772</b>	<b>244,899</b>	<b>139,265</b>
Education:					
Personal services.....	47,484,553	46,998,473	46,998,460	-	13
Other expenses.....	13,600,868	14,032,310	13,444,211	203,388	384,711
<b>TOTAL.....</b>	<b>61,085,421</b>	<b>61,030,783</b>	<b>60,442,671</b>	<b>203,388</b>	<b>384,724</b>
Public works:					
Personal services.....	1,609,754	1,655,254	1,642,763	-	12,491
Other expenses.....	3,679,397	3,532,897	3,409,293	123,020	584
<b>TOTAL.....</b>	<b>5,289,151</b>	<b>5,188,151</b>	<b>5,052,056</b>	<b>123,020</b>	<b>13,075</b>
Plant and facilities:					
Personal services.....	3,115,039	3,068,765	2,999,725	34,814	34,226
Other expenses.....	1,446,545	1,391,819	1,243,667	145,493	2,659
<b>TOTAL.....</b>	<b>4,561,584</b>	<b>4,460,584</b>	<b>4,243,392</b>	<b>180,307</b>	<b>36,885</b>
Community services:					
Personal services.....	1,176,448	1,183,648	1,182,174	-	1,474
Other expenses.....	474,506	466,216	442,450	21,508	2,258
<b>TOTAL.....</b>	<b>1,650,954</b>	<b>1,649,864</b>	<b>1,624,624</b>	<b>21,508</b>	<b>3,732</b>
Library:					
Personal services.....	2,057,950	2,016,950	1,947,645	26,500	42,805
Other expenses.....	567,339	554,339	547,121	2,091	5,127
<b>TOTAL.....</b>	<b>2,625,289</b>	<b>2,571,289</b>	<b>2,494,766</b>	<b>28,591</b>	<b>47,932</b>

(Continued)

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget	Actual Amounts		
Pension benefits.....	4,635,498	4,635,498	4,635,498	-	-
Property and liability insurance.....	640,500	642,500	485,701	154,400	2,399
Employee benefits.....	13,262,400	13,647,140	13,438,023	193,351	15,766
State and county charges.....	3,079,417	3,079,417	3,072,718	-	6,699
Debt service:					
Principal.....	6,465,718	6,465,718	6,465,718	-	-
Interest.....	2,052,875	2,022,875	1,631,117	1,500	390,258
TOTAL.....	8,518,593	8,488,593	8,096,835	1,500	390,258
TOTAL EXPENDITURES.....	124,686,664	124,349,027	122,093,580	1,208,156	1,047,291
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,383,526)	(2,045,889)	263,803	(1,208,156)	1,101,536
OTHER FINANCING SOURCES (USES):					
Transfers in.....	2,035,511	2,035,511	2,103,947	-	68,436
Transfers out.....	-	(1,482,101)	(1,482,101)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	2,035,511	553,410	621,846	-	68,436
NET CHANGE IN FUND BALANCE.....	(348,015)	(1,492,479)	885,649	(1,208,156)	1,169,972
BUDGETARY FUND BALANCE, Beginning of year.....	4,111,549	4,111,549	4,111,549	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 3,763,534	\$ 2,619,070	\$ 4,997,198	\$ (1,208,156)	\$ 1,169,972

See notes to required supplementary information.

(Concluded)

# ***Retirement System Schedule of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the Town is one participating employer, about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

**ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 92,289	\$ 167,447	\$ 75,158	55%	\$ 32,416	232%
01/01/07	99,953	136,899	36,946	73%	30,468	121%
01/01/04	81,431	104,232	22,801	78%	27,551	83%
01/01/01	69,752	86,928	17,176	80%	24,596	70%
01/01/99	59,350	76,915	17,565	77%	21,631	81%
01/01/98	48,768	71,164	22,396	69%	20,700	108%

Schedule of Employer Contributions

Fiscal Year Ended	System Wide			Town of Andover	
	Annual Required Contributions	Actual Contributions Made	Percentage Contributed	Actual Contributions Made	Town Contributions as a Percentage of System Wide Contributions
2010	\$ 4,634,088	\$ 4,634,088	100%	\$ 4,583,113	99%
2009	4,503,175	4,503,175	100%	4,458,594	99%
2008	4,384,052	4,384,052	100%	4,341,568	99%
2007	4,099,897	4,099,897	100%	4,058,898	99%
2006	3,910,205	3,910,205	100%	3,865,238	99%
2005	3,580,864	3,580,864	100%	3,545,055	99%

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2010

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2009	\$ -	\$ 245,108,000	\$ 245,108,000	0.0%	\$ 80,768,000	303.5%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2010	\$ 19,029,000	\$ 5,548,000	29%
2009	18,051,000	5,363,000	30%

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2010

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Actuarial Methods:

Valuation date.....	June 30, 2009
Actuarial cost method.....	Projected unit credit
Amortization method.....	Level percentage of projected payroll
Remaining amortization period.....	28 years, closed

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go scenario
Medical/drug cost trend rate.....	8.5% graded to 5.0% over 8 years

Plan Membership:

Current retirees, beneficiaries, and dependents.....	485
Current active members.....	<u>747</u>
Total.....	<u><u>1,232</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Town Manager presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. A majority vote at Town Meeting has full authority to amend and/or reject the budget or any line item.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Board approval via a Town Meeting vote.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget authorized approximately \$124.7 million in appropriations and other amounts to be raised. During fiscal year 2010, Town Meeting also approved supplemental appropriations totaling approximately \$1.1 million.

The Municipal Relief Act in accordance with MGL Chapter 44, Section 33B, allows the Board, with the concurrence of the Finance Committee, to transfer appropriations during the last two months of the fiscal year or during the first 15 days of the new fiscal year.

The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$	885,649
<u>Basis of accounting differences:</u>		
Net change in recording 60-day receipts.....		7,000
Net change in recording tax refunds payable.....		59,000
Recognition of revenue for on-behalf payments.....		10,942,096
Recognition of expenditures for on-behalf payments.....		<u>(10,942,096)</u>
Net change in fund balance - GAAP basis.....	\$	<u>951,649</u>

### 3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, the Town's expenditures did not exceed appropriations.

#### **NOTE B – PENSION PLAN**

The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$10,942,000 for the fiscal year ended June 30, 2010, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Andover Contributory Retirement Board and are borne by the System

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

At June 30, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.75%, 5.00% and 5.25% per year for groups 1, 2 and 4, respectively. The actuarial value of the System's assets was determined in accordance with the deferred recognition method. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an increasing basis. The remaining amortization period at January 1, 2010, was 31 years. The System is scheduled to be fully funded by 2040 which meets the MGL requirement of full funding by fiscal 2040. The Town's funded rate was 55% as of the last actuarial valuation.

The schedule of funding progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the Town is one participating employer, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through the Town’s group health and life insurance plans, which covers both active and retired members including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress and Employer Contributions presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

# ***Combining Statements***

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# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*School Grants/Other Revolving Funds* – This fund is used to account for the school department’s revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71 and grant funds received from state and federal governments which are designated for specific programs.

*School Lunch Fund* – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

## ***Capital Projects Funds***

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

*Road/Drainage Projects* – This fund is used to account for road and drainage projects other than state funded highway projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

*School Projects* – This fund is used to account for major school capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes state grants and other available funds.

*Conservation Projects* – This fund is used to account for major conservation capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

*Municipal Buildings* – This fund is used to account for major municipal building capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

*Other Projects* – This fund is used to account for smaller capital acquisition and construction projects. These projects will be funded through the issuance of long-term bonds and notes and other available funds.

***Permanent Funds***

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

*Cemetery* – This fund is used to account for cemetery contributions and bequests in which the earnings may be expended for cemetery purposes.

*Library Trust Funds* – This fund is used to account for gifts, bequests and contributions in which the earnings may be expended for purposes specified by the donor in relation to library activities.

*Town Welfare/Other Trust Funds* – This fund accounts for all non library and cemetery related contributions and bequests in which the earnings may be expended for purposes specified by the donor in relation to other Town activities.

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2010

	<u>Special Revenue Funds</u>		
	School Grants/ Other Revolving	School Lunch	Sub-total
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 727,392	\$ 252,499	\$ 979,891
Receivables, net of uncollectibles:			
Intergovernmental.....	582,770	-	582,770
<b>TOTAL ASSETS.....</b>	<b>\$ 1,310,162</b>	<b>\$ 252,499</b>	<b>\$ 1,562,661</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 32,952	\$ 32,574	\$ 65,526
Accrued payroll.....	65,639	-	65,639
Notes payable.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>98,591</b>	<b>32,574</b>	<b>131,165</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Perpetual permanent funds.....	-	-	-
Unreserved:			
Special revenue funds.....	1,211,571	219,925	1,431,496
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>1,211,571</b>	<b>219,925</b>	<b>1,431,496</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,310,162</b>	<b>\$ 252,499</b>	<b>\$ 1,562,661</b>

**Capital Project Funds**

Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Other	Sub-total
\$ 891,939	\$ 779,431	\$ 226,617	\$ 1,166,096	\$ 1,518,879	\$ 4,582,962
-	-	-	-	-	-
<u>\$ 891,939</u>	<u>\$ 779,431</u>	<u>\$ 226,617</u>	<u>\$ 1,166,096</u>	<u>\$ 1,518,879</u>	<u>\$ 4,582,962</u>
\$ 28,656	\$ 10,124	\$ 1,500	\$ 6,182	\$ 24,891	\$ 71,353
-	-	-	-	-	-
644,000	2,155,000	100,000	786,000	600,000	4,285,000
<u>672,656</u>	<u>2,165,124</u>	<u>101,500</u>	<u>792,182</u>	<u>624,891</u>	<u>4,356,353</u>
-	-	-	-	-	-
-	-	-	-	-	-
219,283	(1,385,693)	125,117	373,914	893,988	226,609
-	-	-	-	-	-
<u>219,283</u>	<u>(1,385,693)</u>	<u>125,117</u>	<u>373,914</u>	<u>893,988</u>	<u>226,609</u>
<u>\$ 891,939</u>	<u>\$ 779,431</u>	<u>\$ 226,617</u>	<u>\$ 1,166,096</u>	<u>\$ 1,518,879</u>	<u>\$ 4,582,962</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2010

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 1,049,944	\$ 68,293	\$ 656,114	\$ 1,774,351	\$ 7,337,204
Receivables, net of uncollectibles:					
Intergovernmental.....	-	-	-	-	582,770
<b>TOTAL ASSETS.....</b>	<b>\$ 1,049,944</b>	<b>\$ 68,293</b>	<b>\$ 656,114</b>	<b>\$ 1,774,351</b>	<b>\$ 7,919,974</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ -	\$ -	\$ 2,458	\$ 2,458	\$ 139,337
Accrued payroll.....	-	-	-	-	65,639
Notes payable.....	-	-	-	-	4,285,000
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>2,458</b>	<b>2,458</b>	<b>4,489,976</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Perpetual permanent funds.....	882,578	5,000	386,629	1,274,207	1,274,207
Unreserved:					
Special revenue funds.....	-	-	-	-	1,431,496
Capital projects funds.....	-	-	-	-	226,609
Permanent funds.....	167,366	63,293	267,027	497,686	497,686
<b>TOTAL FUND BALANCES.....</b>	<b>1,049,944</b>	<b>68,293</b>	<b>653,656</b>	<b>1,771,893</b>	<b>3,429,998</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,049,944</b>	<b>\$ 68,293</b>	<b>\$ 656,114</b>	<b>\$ 1,774,351</b>	<b>\$ 7,919,974</b>

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**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Special Revenue Funds</u>		
	School Grants/ Other Revolving	School Lunch	Sub-total
<b>REVENUES:</b>			
Intergovernmental.....	\$ 4,977,270	\$ 319,739	\$ 5,297,009
Departmental and other.....	2,279,278	1,842,359	4,121,637
Contributions.....	-	-	-
Investment income.....	-	-	-
<b>TOTAL REVENUES.....</b>	<b>7,256,548</b>	<b>2,162,098</b>	<b>9,418,646</b>
<b>EXPENDITURES:</b>			
Current:			
Public safety.....	338	-	338
Education.....	7,055,538	1,963,939	9,019,477
Public works.....	86,743	-	86,743
Human services.....	-	-	-
Library.....	-	-	-
Capital outlay.....	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>7,142,619</b>	<b>1,963,939</b>	<b>9,106,558</b>
<b>OVER EXPENDITURES.....</b>	<b>113,929</b>	<b>198,159</b>	<b>312,088</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of bonds and notes.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>113,929</b>	<b>198,159</b>	<b>312,088</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,097,642</b>	<b>21,766</b>	<b>1,119,408</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,211,571</b>	<b>\$ 219,925</b>	<b>\$ 1,431,496</b>

**Capital Project Funds**

Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Other	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
357,330	3,049,187	3,605	694,705	1,612,896	5,717,723
357,330	3,049,187	3,605	694,705	1,612,896	5,717,723
(357,330)	(3,049,187)	(3,605)	(694,705)	(1,612,896)	(5,717,723)
-	3,100,000	-	1,473,000	993,000	5,566,000
54,000	-	-	75,000	1,246,000	1,375,000
-	-	-	-	-	-
54,000	3,100,000	-	1,548,000	2,239,000	6,941,000
(303,330)	50,813	(3,605)	853,295	626,104	1,223,277
522,613	(1,436,506)	128,722	(479,381)	267,884	(996,668)
\$ 219,283	\$ (1,385,693)	\$ 125,117	\$ 373,914	\$ 893,988	\$ 226,609

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**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Permanent Funds</u>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
<b>REVENUES:</b>					
Intergovernmental.....	\$ -	\$ -	\$ -	\$ -	\$ 5,297,009
Departmental and other.....	-	-	500	500	4,122,137
Contributions.....	29,329	-	1,430	30,759	30,759
Investment income.....	52,269	2,387	21,740	76,396	76,396
<b>TOTAL REVENUES.....</b>	<b>81,598</b>	<b>2,387</b>	<b>23,670</b>	<b>107,655</b>	<b>9,526,301</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety.....	-	-	-	-	338
Education.....	-	-	-	-	9,019,477
Public works.....	1,515	-	-	1,515	88,258
Human services.....	-	-	1,875	1,875	1,875
Library.....	15	-	10,866	10,881	10,881
Capital outlay.....	-	-	-	-	5,717,723
<b>TOTAL EXPENDITURES.....</b>	<b>1,530</b>	<b>-</b>	<b>12,741</b>	<b>14,271</b>	<b>14,838,552</b>
<b>OVER EXPENDITURES.....</b>	<b>80,068</b>	<b>2,387</b>	<b>10,929</b>	<b>93,384</b>	<b>(5,312,251)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	-	5,566,000
Transfers in.....	-	-	-	-	1,375,000
Transfers out.....	(10,000)	-	-	(10,000)	(10,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>6,931,000</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>70,068</b>	<b>2,387</b>	<b>10,929</b>	<b>83,384</b>	<b>1,618,749</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>979,876</b>	<b>65,906</b>	<b>642,727</b>	<b>1,688,509</b>	<b>1,811,249</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,049,944</b>	<b>\$ 68,293</b>	<b>\$ 653,656</b>	<b>\$ 1,771,893</b>	<b>\$ 3,429,998</b>

(Concluded)

# ***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.

*Insurance Fund* – This fund is used to account for the accumulation of costs associated with property and liability insurance.

*Unemployment Compensation Fund* – This fund is used to account for the accumulation of costs, and employee contributions associated with unemployment compensation.

*Health Insurance Fund* – This fund is used to account for the accumulation of costs, and employer and employee contributions associated with health insurance.

*Worker's Compensation Fund* – This fund is used to account for the accumulation of costs, and employer contributions associated with worker's compensation.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>					
CURRENT:					
Cash and cash equivalents.....	\$ 242,158	\$ 89,596	\$ 433,911	\$ 12,177	\$ 777,842
<b>LIABILITIES</b>					
CURRENT:					
Warrants payable.....	-	-	31,701	-	31,701
Workers' compensation.....	-	-	-	193,000	193,000
Total current liabilities.....	-	-	31,701	193,000	224,701
NONCURRENT:					
Workers' compensation.....	-	-	-	80,000	80,000
TOTAL LIABILITIES.....	-	-	31,701	273,000	304,701
<b>NET ASSETS</b>					
Unrestricted.....	\$ 242,158	\$ 89,596	\$ 402,210	\$ (260,823)	\$ 473,141

**INTERNAL SERVICE FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ 4,061,837	\$ -	\$ 4,061,837
Employer contributions .....	-	150,000	13,041,350	-	13,191,350
<b>TOTAL OPERATING REVENUES .....</b>	<b>-</b>	<b>150,000</b>	<b>17,103,187</b>	<b>-</b>	<b>17,253,187</b>
<b>OPERATING EXPENSES:</b>					
Employee benefits .....	-	286,408	16,987,902	95,602	17,369,912
Insurance.....	1,300	-	-	-	1,300
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,300</b>	<b>286,408</b>	<b>16,987,902</b>	<b>95,602</b>	<b>17,371,212</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(1,300)</b>	<b>(136,408)</b>	<b>115,285</b>	<b>(95,602)</b>	<b>(118,025)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	1,023	929	539	-	2,491
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>(277)</b>	<b>(135,479)</b>	<b>115,824</b>	<b>(95,602)</b>	<b>(115,534)</b>
<b>OPERATING TRANSFERS:</b>					
Transfers in.....	78,128	-	-	-	78,128
<b>CHANGE IN NET ASSETS.....</b>	<b>77,851</b>	<b>(135,479)</b>	<b>115,824</b>	<b>(95,602)</b>	<b>(37,406)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>164,307</b>	<b>225,075</b>	<b>286,386</b>	<b>(165,221)</b>	<b>510,547</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 242,158</b>	<b>\$ 89,596</b>	<b>\$ 402,210</b>	<b>\$ (260,823)</b>	<b>\$ 473,141</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2010

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 4,061,837	\$ -	\$ 4,061,837
Receipts from interfund services provided.....	-	150,000	13,041,350	-	13,191,350
Payments to vendors.....	(1,300)	-	-	-	(1,300)
Payments to employees.....	-	-	(75,664)	-	(75,664)
Payments for interfund services used.....	-	(286,408)	(16,907,010)	(127,965)	(17,321,383)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>(1,300)</b>	<b>(136,408)</b>	<b>120,513</b>	<b>(127,965)</b>	<b>(145,160)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>					
Transfers in.....	78,128	-	-	-	78,128
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Investment income.....	1,023	929	539	-	2,491
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>77,851</b>	<b>(135,479)</b>	<b>121,052</b>	<b>(127,965)</b>	<b>(64,541)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>164,307</b>	<b>225,075</b>	<b>312,859</b>	<b>140,142</b>	<b>842,383</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 242,158</b>	<b>\$ 89,596</b>	<b>\$ 433,911</b>	<b>\$ 12,177</b>	<b>\$ 777,842</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>					
Operating income (loss).....	\$ (1,300)	\$ (136,408)	\$ 115,285	\$ (95,602)	\$ (118,025)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Warrants payable.....	-	-	5,228	(20,363)	(15,135)
Workers' compensation.....	-	-	-	(12,000)	(12,000)
Total adjustments.....	-	-	5,228	(32,363)	(27,135)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ (1,300)</b>	<b>\$ (136,408)</b>	<b>\$ 120,513</b>	<b>\$ (127,965)</b>	<b>\$ (145,160)</b>

# ***Agency Fund***

This fund is primarily used to account for contactors security deposits, local church deposits, and receipts and disbursements on behalf of the Merrimack Valley Library Consortium.

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2010

	Beginning of Year	Additions	Deletions	End of Year
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 787,381	\$ 1,306,586	\$ (1,168,501)	\$ 925,466
<b>LIABILITIES</b>				
Guarantee deposits.....	\$ 56,140	\$ 1,735	-	\$ 57,875
Other deposits.....	12,766	466	-	13,232
Merrimack Valley Library Consortium.....	253,989	201,564	(250,000)	205,553
Student Activities.....	464,486	1,102,821	(918,501)	648,806
TOTAL LIABILITIES.....	\$ 787,381	\$ 1,306,586	\$ (1,168,501)	\$ 925,466

# ***Statistical Section***



Photo Source: Andover File Copy

# ***Statistical Section***

This part of the comprehensive annual 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 Town's overall financial health.

## ***Financial Trends***

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

## ***Revenue Capacity***

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

## ***Debt Capacity***

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

## ***Demographic and Economic Information***

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

## ***Operating Information***

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**Net Assets By Component**

**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>								
Invested in capital assets, net of related debt.....	\$ 73,686,298	\$ 89,679,889	\$ 91,145,822	\$ 89,418,470	\$ 91,189,027	\$ 91,685,536	\$ 89,103,313	\$ 92,996,891
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472	5,039,470	3,395,370	3,796,181
Unrestricted.....	<u>10,133,275</u>	<u>12,351,114</u>	<u>9,873,633</u>	<u>12,307,988</u>	<u>10,474,688</u>	<u>666,172</u>	<u>(11,182,850)</u>	<u>(25,054,041)</u>
<b>Total governmental activities net assets.....</b>	<b>\$ <u>89,039,534</u></b>	<b>\$ <u>105,669,033</u></b>	<b>\$ <u>105,445,842</u></b>	<b>\$ <u>105,758,487</u></b>	<b>\$ <u>106,274,187</u></b>	<b>\$ <u>97,391,178</u></b>	<b>\$ <u>81,315,833</u></b>	<b>\$ <u>71,739,031</u></b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt.....	43,348,130	46,387,305	46,027,798	44,383,954	45,396,161	46,338,405	47,347,751	47,608,658
Unrestricted.....	<u>12,903,877</u>	<u>10,528,648</u>	<u>13,264,116</u>	<u>15,604,638</u>	<u>14,824,192</u>	<u>13,060,062</u>	<u>20,682,749</u>	<u>18,890,393</u>
<b>Total business-type activities net assets.....</b>	<b>\$ <u>56,252,007</u></b>	<b>\$ <u>56,915,953</u></b>	<b>\$ <u>59,291,914</u></b>	<b>\$ <u>59,988,592</u></b>	<b>\$ <u>60,220,353</u></b>	<b>\$ <u>59,398,467</u></b>	<b>\$ <u>68,030,500</u></b>	<b>\$ <u>66,499,051</u></b>
<b>Primary government</b>								
Invested in capital assets, net of related debt.....	117,034,428	136,067,194	137,173,620	133,802,424	136,585,188	138,023,941	136,451,064	140,605,549
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472	5,039,470	3,395,370	3,796,181
Unrestricted.....	<u>23,037,152</u>	<u>22,879,762</u>	<u>23,137,749</u>	<u>27,912,626</u>	<u>25,298,880</u>	<u>13,726,234</u>	<u>9,499,899</u>	<u>(6,163,648)</u>
<b>Total primary government net assets.....</b>	<b>\$ <u>145,291,541</u></b>	<b>\$ <u>162,584,986</u></b>	<b>\$ <u>164,737,756</u></b>	<b>\$ <u>165,747,079</u></b>	<b>\$ <u>166,494,540</u></b>	<b>\$ <u>156,789,645</u></b>	<b>\$ <u>149,346,333</u></b>	<b>\$ <u>138,238,082</u></b>

**Changes in Net Assets**

**Last Eight Fiscal Years**

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General government.....	\$ 5,871,040	\$ 6,384,815	\$ 6,116,927	\$ 6,370,915	\$ 7,135,773	\$ 7,001,802	\$ 7,435,711	\$ 7,853,717
Plant and facilities.....	6,298,425	6,595,195	5,663,229	5,971,059	6,312,238	5,369,831	5,647,761	5,610,304
Public safety.....	16,426,508	16,675,121	17,246,901	17,782,178	17,692,134	21,417,994	21,464,611	20,464,627
Education.....	65,118,057	67,227,226	72,624,199	79,034,278	85,198,802	89,739,079	109,409,021	109,285,301
Public works.....	8,434,701	7,768,193	9,038,654	7,405,556	9,257,382	16,215,311	7,993,148	7,086,407
Community services.....	2,867,018	2,797,537	2,806,626	2,833,581	3,082,209	3,196,831	3,401,157	3,410,882
Library.....	3,125,588	3,447,297	3,326,096	3,433,876	3,748,315	3,969,982	4,230,163	4,158,325
Interest.....	3,228,511	2,953,651	3,028,040	2,569,615	3,079,688	2,610,346	2,157,682	1,692,345
Total government activities expenses.....	<u>111,369,848</u>	<u>113,849,035</u>	<u>119,850,672</u>	<u>125,401,058</u>	<u>135,506,541</u>	<u>149,521,176</u>	<u>161,739,254</u>	<u>159,561,908</u>
Business-type activities:								
Water.....	4,938,649	5,180,484	5,279,568	5,522,811	5,837,589	6,152,545	6,533,573	5,423,483
Sewer.....	2,850,949	3,114,483	3,418,402	3,920,303	3,698,176	4,065,119	4,273,853	4,662,645
Total primary government expenses.....	<u>\$ 119,159,446</u>	<u>\$ 122,144,002</u>	<u>\$ 128,548,642</u>	<u>\$ 134,844,172</u>	<u>\$ 145,042,306</u>	<u>\$ 159,738,840</u>	<u>\$ 172,546,680</u>	<u>\$ 169,648,036</u>
<b>Program Revenues</b>								
Governmental activities:								
Public safety charges for services.....	\$ 3,307,838	\$ 3,601,991	\$ 5,047,096	\$ 4,173,141	\$ 3,880,398	\$ 4,326,730	\$ 3,790,779	\$ 3,755,724
Education charges for services.....	2,435,502	2,631,861	3,221,619	3,303,391	3,556,254	3,891,867	3,869,698	4,159,428
Other charges for services.....	1,969,503	2,232,896	2,217,961	2,459,937	2,757,509	3,275,730	2,992,813	3,458,043
Education operating grants and contributions.....	13,649,175	14,287,070	16,723,671	16,421,800	18,485,493	20,831,731	23,010,714	24,013,602
Other operating grants and contributions.....	2,124,490	1,701,550	1,592,768	2,054,108	2,386,728	2,042,371	2,822,588	2,024,443
Education capital grant and contributions.....	-	17,800,725	211,662	63,731	12,105	-	-	-
Public works capital grant and contributions.....	674,243	1,022,245	601,504	826,869	2,579,033	776,474	1,033,675	1,062,707
Other capital grant and contributions.....	-	-	-	-	-	-	10,992	-
Total government activities program revenues.....	<u>24,160,751</u>	<u>43,278,338</u>	<u>29,616,281</u>	<u>29,302,777</u>	<u>33,657,520</u>	<u>35,144,903</u>	<u>37,531,259</u>	<u>38,473,947</u>
Business-type activities:								
Water charges for services.....	6,146,648	5,466,703	5,948,163	6,135,750	6,026,114	6,624,742	6,557,656	6,107,981
Sewer charges for services.....	2,839,609	3,125,887	3,287,453	3,200,763	3,900,287	4,274,584	4,048,056	4,090,182
Other capital grant and contributions.....	3,740,314	1,436,501	3,270,890	2,706,471	1,838,804	158,190	10,798,240	229,534
Total business-type activities program revenues.....	<u>12,726,571</u>	<u>10,029,091</u>	<u>12,506,506</u>	<u>12,042,984</u>	<u>11,765,205</u>	<u>11,057,516</u>	<u>21,403,952</u>	<u>10,427,697</u>
Total primary government program revenues.....	<u>\$ 36,887,322</u>	<u>\$ 53,307,429</u>	<u>\$ 42,122,787</u>	<u>\$ 41,345,761</u>	<u>\$ 45,422,725</u>	<u>\$ 46,202,419</u>	<u>\$ 58,935,211</u>	<u>\$ 48,901,644</u>
<b>Net (Expense)/Program Revenue</b>								
Governmental activities.....	\$ (87,209,097)	\$ (70,570,697)	\$ (90,234,391)	\$ (96,098,281)	\$ (101,849,021)	\$ (114,376,273)	\$ (124,207,995)	\$ (121,087,961)
Business-type activities.....	4,936,973	1,734,124	3,808,536	2,599,870	2,229,440	839,852	10,596,526	341,569
Total primary government net (expense)/program revenue.....	<u>\$ (82,272,124)</u>	<u>\$ (68,836,573)</u>	<u>\$ (86,425,855)</u>	<u>\$ (93,498,411)</u>	<u>\$ (99,619,581)</u>	<u>\$ (113,536,421)</u>	<u>\$ (113,611,469)</u>	<u>\$ (120,746,392)</u>
<b>General Revenues and other Changes in Net Assets</b>								
Governmental activities:								
Real estate and personal property taxes, net of tax refunds payable.....	\$ 74,916,769	\$ 78,018,623	\$ 80,128,940	\$ 85,467,543	\$ 89,517,870	\$ 93,240,977	\$ 96,597,993	\$ 100,368,252
Tax liens.....	217,181	156,432	169,769	137,894	160,701	188,869	316,513	416,598
Motor vehicle excise taxes.....	4,761,307	4,449,959	4,695,077	4,737,214	4,665,464	4,704,891	4,407,674	4,510,747
Hotel/motel tax.....	862,883	709,595	777,164	702,732	1,040,438	897,765	860,090	962,298
Meals tax.....	-	-	-	-	-	-	-	136,239
Penalties and interest on taxes.....	721,105	265,747	335,008	279,901	314,296	410,491	303,184	286,866
Grants and contributions not restricted to specific programs.....	1,845,728	1,704,378	1,857,933	2,016,691	2,558,873	2,558,964	2,502,913	2,083,892
Unrestricted investment income.....	368,581	369,542	493,590	955,407	1,603,144	1,434,652	1,005,941	550,684
Miscellaneous.....	267,683	400,871	75,167	53,440	344,265	328,707	144,381	-
Transfers.....	1,189,862	1,125,049	1,478,552	2,060,104	2,159,670	1,727,948	1,993,961	-
Total governmental activities.....	<u>85,151,099</u>	<u>87,200,196</u>	<u>90,011,200</u>	<u>96,410,926</u>	<u>102,364,721</u>	<u>105,493,264</u>	<u>108,132,650</u>	<u>109,315,576</u>
Business-type activities:								
Unrestricted investment income.....	99,828	54,871	45,977	156,912	161,991	66,210	29,468	14,785
Transfers.....	(1,189,862)	(1,125,049)	(1,478,552)	(2,060,104)	(2,159,670)	(1,727,948)	(1,993,961)	-
Total primary government general revenues and other changes in net assets.....	<u>\$ 84,061,065</u>	<u>\$ 86,130,018</u>	<u>\$ 88,578,625</u>	<u>\$ 94,507,734</u>	<u>\$ 100,367,042</u>	<u>\$ 103,831,526</u>	<u>\$ 106,168,157</u>	<u>\$ 109,330,361</u>
<b>Changes in Net Assets</b>								
Governmental activities.....	\$ (2,057,998)	\$ 16,629,499	\$ (223,191)	\$ 312,645	\$ 515,700	\$ (8,883,009)	\$ (16,075,345)	\$ (11,772,385)
Business-type activities.....	3,846,939	663,946	2,375,961	696,678	231,761	(821,886)	8,632,033	356,354
Total primary government changes in net assets.....	<u>\$ 1,788,941</u>	<u>\$ 17,293,445</u>	<u>\$ 2,152,770</u>	<u>\$ 1,009,323</u>	<u>\$ 747,461</u>	<u>\$ (9,704,895)</u>	<u>\$ (7,443,312)</u>	<u>\$ (11,416,031)</u>

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>										
Reserved.....	\$ 2,216,572	\$ 3,151,400	\$ 2,914,009	\$ 2,278,232	\$ 1,436,861	\$ 1,860,571	\$ 2,694,727	\$ 1,370,990	\$ 491,022	\$ 1,208,156
Unreserved.....	9,901,651	10,309,240	10,891,580	8,500,140	7,747,231	7,529,898	4,549,236	3,691,825	3,015,527	3,250,042
<b>Total general fund.....</b>	<b>\$ 12,118,223</b>	<b>\$ 13,460,640</b>	<b>\$ 13,805,589</b>	<b>\$ 10,778,372</b>	<b>\$ 9,184,092</b>	<b>\$ 9,390,469</b>	<b>\$ 7,243,963</b>	<b>\$ 5,062,815</b>	<b>\$ 3,506,549</b>	<b>\$ 4,458,198</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ -	\$ -	\$ 700,821	\$ 692,942	\$ 1,246,997	\$ 1,268,238	\$ 1,261,498	\$ 1,267,370	\$ 1,265,156	\$ 1,274,207
Unreserved, reported in:										
Special revenue funds.....	1,856,036	2,131,629	4,519,551	5,415,564	5,864,877	6,171,737	9,068,114	9,627,901	9,586,198	10,747,094
Capital projects funds.....	7,829,724	(10,724,512)	5,978,934	3,636,212	3,519,167	1,747,126	1,933,994	1,323,779	(996,668)	226,609
Permanent funds.....	-	-	463,273	413,250	210,462	363,604	434,628	440,998	423,353	497,686
<b>Total all other governmental funds.....</b>	<b>\$ 9,685,760</b>	<b>\$ (8,592,883)</b>	<b>\$ 11,662,579</b>	<b>\$ 10,157,968</b>	<b>\$ 10,841,503</b>	<b>\$ 9,550,705</b>	<b>\$ 12,698,234</b>	<b>\$ 12,660,048</b>	<b>\$ 10,278,039</b>	<b>\$ 12,745,596</b>

Fiscal years 2001 and 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

Fiscal Year

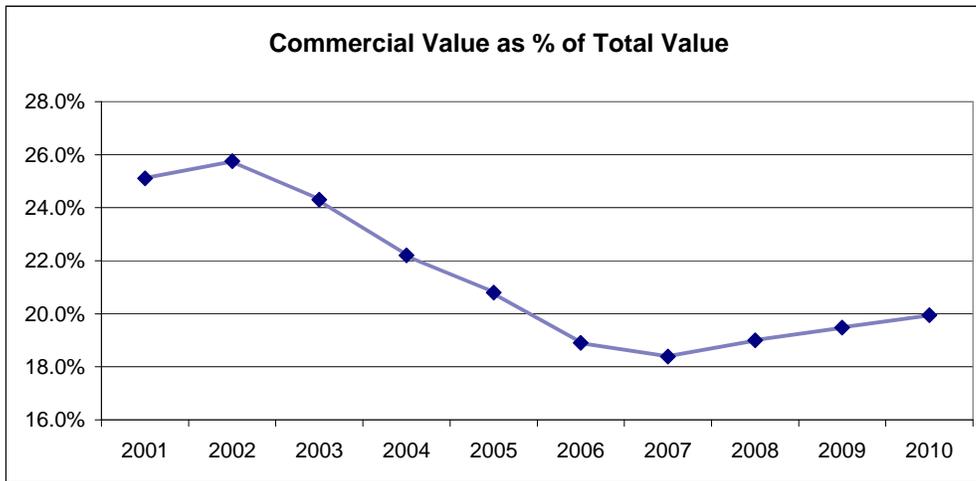
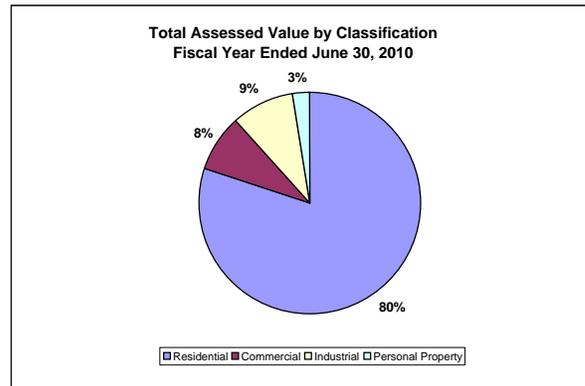
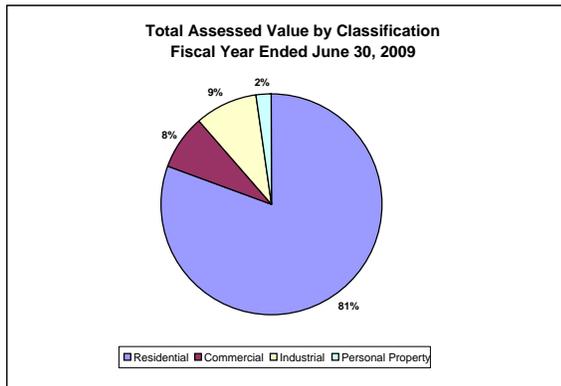
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 63,880,049	\$ 69,135,669	\$ 74,726,196	\$ 77,761,654	\$ 80,108,798	\$ 85,233,515	\$ 89,296,522	\$ 93,215,670	\$ 96,792,126	\$ 100,472,493
Motor vehicle and other excise taxes.....	5,435,383	5,419,022	5,429,993	5,074,722	5,430,809	5,714,365	4,563,040	5,719,957	5,379,998	5,435,155
Intergovernmental.....	18,576,239	18,664,283	19,337,587	19,645,202	36,257,799	26,111,912	25,535,077	27,409,880	29,885,449	29,755,486
Departmental and other.....	7,441,550	7,201,620	9,156,513	9,358,532	11,228,315	10,075,153	12,333,309	12,437,475	11,448,429	12,460,238
Interest income.....	1,473,335	1,126,066	403,057	466,366	437,745	931,895	1,660,138	1,501,807	1,048,718	660,607
<b>Total Revenue.....</b>	<b>96,806,556</b>	<b>101,546,660</b>	<b>109,053,346</b>	<b>112,306,476</b>	<b>133,463,466</b>	<b>128,066,840</b>	<b>133,388,086</b>	<b>140,284,789</b>	<b>144,554,720</b>	<b>148,783,979</b>
<b>Expenditures:</b>										
General government.....	4,304,603	3,931,600	4,454,394	4,909,348	4,730,422	4,769,168	5,220,512	5,359,619	5,511,347	5,620,278
Plant and facilities.....	5,772,848	5,826,345	5,608,033	5,869,539	4,608,092	4,222,181	4,431,588	4,417,766	4,417,257	4,323,782
Public safety.....	11,737,349	12,033,824	13,128,148	13,515,766	13,597,144	13,682,564	13,571,517	16,457,065	16,121,617	15,013,636
Education.....	42,421,926	46,399,812	51,048,622	51,455,597	54,347,628	58,172,138	62,124,609	65,822,095	69,204,520	69,878,266
Public works.....	6,735,312	5,426,850	6,280,433	6,966,509	6,856,259	4,812,153	6,582,339	6,974,691	7,392,938	6,202,273
Community services.....	2,118,012	2,162,665	2,261,837	2,305,595	2,186,935	2,258,001	2,525,592	2,659,098	2,714,309	2,726,573
Library.....	2,464,018	2,477,328	2,328,796	2,553,941	2,431,694	2,547,324	2,674,266	2,697,413	2,729,703	2,659,866
Pension benefits.....	8,686,244	8,522,848	8,854,044	9,537,132	10,594,568	11,774,280	12,896,971	13,818,706	14,999,567	15,577,594
Property and liability insurance.....	527,958	541,800	504,963	795,879	834,889	744,326	762,947	657,483	562,014	485,701
Employee benefits.....	3,735,311	4,229,172	6,139,400	7,625,000	8,732,646	9,901,817	10,521,298	11,451,717	12,023,030	13,438,023
Claims and judgments.....	-	-	-	-	-	-	-	-	264,966	-
State and county charges.....	1,094,215	1,227,461	1,363,260	1,370,609	1,599,527	1,982,311	2,514,120	2,852,501	2,871,728	3,072,718
Capital outlay.....	13,039,205	38,702,914	9,373,665	6,059,724	5,275,759	6,707,917	5,210,089	7,856,215	7,547,507	5,717,723
Debt service:										
Principal.....	4,006,500	4,627,000	5,188,000	5,728,420	20,744,107	9,436,934	5,833,841	6,035,287	6,306,423	6,465,718
Interest.....	2,623,005	2,955,606	3,346,096	2,987,294	2,957,220	2,408,251	2,920,044	2,472,415	2,015,030	1,435,531
<b>Total Expenditures.....</b>	<b>109,266,506</b>	<b>139,065,225</b>	<b>119,879,691</b>	<b>121,680,353</b>	<b>139,496,890</b>	<b>133,419,365</b>	<b>137,789,733</b>	<b>149,532,071</b>	<b>154,681,956</b>	<b>152,617,682</b>
Excess of revenues over (under) expenditures.....	<u>(12,459,950)</u>	<u>(37,518,565)</u>	<u>(10,826,345)</u>	<u>(9,373,877)</u>	<u>(6,033,424)</u>	<u>(5,352,525)</u>	<u>(4,401,647)</u>	<u>(9,247,282)</u>	<u>(10,127,236)</u>	<u>(3,833,703)</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	9,675,000	19,208,000	28,938,000	3,717,000	3,500,000	2,208,000	3,243,000	5,300,000	4,195,000	5,566,000
Issuance of refunding bonds.....	-	-	13,496,223	-	7,140,205	-	-	-	-	7,936,000
Premium from issuance of bonds.....	-	-	599,313	-	79,123	-	-	-	-	-
Premium from issuance of refunding bonds.....	-	-	220,554	-	158,596	-	-	-	-	892,842
Payments to refunded bond escrow agent.....	-	-	(13,583,218)	-	(7,233,797)	-	-	-	-	(8,951,608)
Transfers in.....	3,268,235	2,559,956	3,588,523	2,011,841	4,131,313	6,794,187	6,779,004	5,465,620	4,963,045	3,737,067
Transfers out.....	(1,781,576)	(1,185,620)	(2,398,661)	(886,792)	(2,652,761)	(4,734,083)	(4,619,334)	(3,737,672)	(2,969,084)	(1,927,392)
<b>Total other financing sources (uses).....</b>	<b>11,161,659</b>	<b>20,582,336</b>	<b>30,860,734</b>	<b>4,842,049</b>	<b>5,122,679</b>	<b>4,268,104</b>	<b>5,402,670</b>	<b>7,027,948</b>	<b>6,188,961</b>	<b>7,252,909</b>
<b>Net change in fund balance.....</b>	<b>\$ (1,298,291)</b>	<b>\$ (16,936,229)</b>	<b>\$ 20,034,389</b>	<b>\$ (4,531,828)</b>	<b>\$ (910,745)</b>	<b>\$ (1,084,421)</b>	<b>\$ 1,001,023</b>	<b>\$ (2,219,334)</b>	<b>\$ (3,938,275)</b>	<b>\$ 3,419,206</b>
Debt service as a percentage of noncapital expenditures..	6.89%	7.56%	7.72%	7.54%	7.27% (a)	6.46% (a)	6.52%	6.01%	5.68%	5.38%

**Notes:**  
 Fiscal years 2001 and 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.  
 (a) - The FY05 and FY06 %'s have been adjusted to eliminate the effect of state school construction capital grants totaling \$15 million and \$3.8 million, respectively to pay down \$18.8 million in debt for both years.

**Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates**

**Last Ten Fiscal Years**

Fiscal Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
2001	\$ 2,975,444,502	\$ 14.92	\$ 440,880,123	\$ 471,708,200	\$ 84,876,150	\$ 997,464,473	\$ 20.59	\$ 16.34	\$ 3,972,908,975
2002	\$ 3,337,867,183	\$ 14.13	\$ 515,652,738	\$ 549,008,500	\$ 93,565,960	\$ 1,158,227,198	\$ 19.57	\$ 15.53	\$ 4,496,094,381
2003 (1)	\$ 4,476,720,701	\$ 11.63	\$ 641,178,403	\$ 685,192,600	\$ 110,559,980	\$ 1,436,930,983	\$ 16.54	\$ 12.82	\$ 5,913,651,684
2004	\$ 4,755,952,886	\$ 11.47	\$ 586,983,115	\$ 663,066,600	\$ 107,565,301	\$ 1,357,615,016	\$ 18.13	\$ 12.95	\$ 6,113,567,902
2005	\$ 5,029,579,646	\$ 11.51	\$ 575,889,705	\$ 635,749,200	\$ 109,324,908	\$ 1,320,963,813	\$ 18.00	\$ 12.86	\$ 6,350,543,459
2006 (1)	\$ 5,519,162,801	\$ 11.40	\$ 556,557,746	\$ 635,623,100	\$ 94,200,625	\$ 1,286,381,471	\$ 17.95	\$ 12.64	\$ 6,805,544,272
2007	\$ 5,868,699,641	\$ 11.25	\$ 582,821,925	\$ 640,188,000	\$ 99,325,718	\$ 1,322,335,643	\$ 18.33	\$ 12.55	\$ 7,191,035,284
2008	\$ 5,815,988,951	\$ 11.69	\$ 585,151,793	\$ 642,310,600	\$ 136,301,731	\$ 1,363,764,124	\$ 19.13	\$ 13.10	\$ 7,179,753,075
2009 (1)	\$ 5,765,913,581	\$ 12.16	\$ 583,679,742	\$ 649,552,900	\$ 161,324,140	\$ 1,394,556,782	\$ 19.98	\$ 13.68	\$ 7,160,470,363
2010	\$ 5,473,846,761	\$ 13.19	\$ 566,418,366	\$ 624,853,500	\$ 172,538,617	\$ 1,363,810,483	\$ 21.33	\$ 14.81	\$ 6,837,657,244



(1) Revaluation year.  
 Source: Assessor's Department, Town of Andover  
 All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

**Principal Taxpayers**

**Current Year and Nine Years Ago**

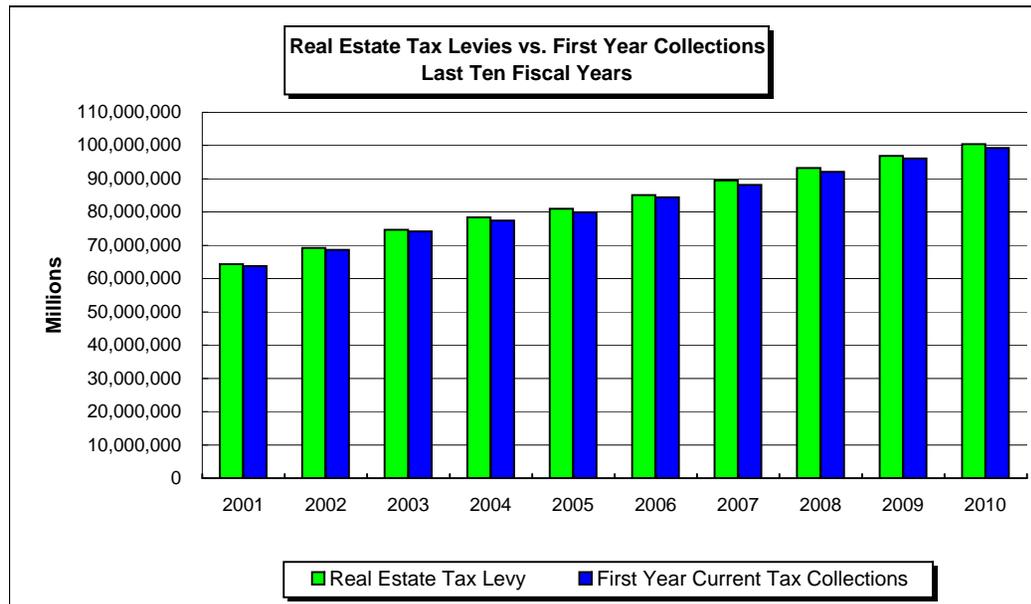
Name	Nature of Business	2010			2001		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Wyeth	Industrial	\$ 86,425,800	1	1.26%	\$ -	-	-
Transwestern Brickstone Square LLC (Andover Mills)	Commercial	\$ 75,409,300	2	1.10%	\$ 69,161,604	1	1.74%
Philips Electronics North American (Agilent) (Hewlett Packard)	Industrial	\$ 54,272,000	3	0.79%	\$ 51,152,500	4	1.29%
RREEF America REIT III Corp ZI	Commercial/Industrial	\$ 49,147,300	4	0.72%	\$ -	-	0.00%
CA Investment Trust	Residential/Commercial	\$ 44,695,600	5	0.65%	\$ 24,525,950	10	0.62%
One Hundred Minuteman LLC	Industrial	\$ 43,415,700	6	0.63%	\$ -	-	-
Eisai Research Institute	Commercial/Industrial	\$ 39,882,100	7	0.58%	\$ -	-	-
Proctor + Gamble (Gillette)	Industrial	\$ 36,974,700	8	0.54%	\$ 28,779,800	8	0.72%
Lincoln Park LLC (Putnam Investments)	Commercial	\$ 33,342,000	9	0.49%	\$ 29,018,900	7	0.73%
Raytheon	Industrial/Residential	\$ 32,116,800	10	0.47%	\$ 58,415,000	3	1.47%
Genetics Institute, Inc.	Industrial	\$ -	-	-	\$ 60,905,590	2	1.53%
BCIA New England Holdings LLC	Office/Industrial	\$ -	-	-	\$ 38,663,300	5	0.97%
Andover Park Realty Trust	Industrial	\$ -	-	-	\$ 30,275,600	6	0.76%
Massachusetts Electric Company	Industrial Utility	\$ -	-	-	\$ 26,313,140	9	0.66%
<b>Totals</b>		<u>\$495,681,300</u>		<u>7.25%</u>	<u>\$417,211,384</u>		<u>10.50%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>(2) Total Tax Levy</b>	<b>Less Abatements &amp; Exemptions</b>	<b>(2) Net Tax Levy</b>	<b>First Year Current Tax Collections</b>	<b>Percent of Net Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Net Tax Levy</b>
2001	\$ 64,931,425	\$ 612,404	\$ 64,319,021	\$ 63,769,348	99.15%	\$ 544,039	\$ 64,313,387	99.99%
2002	\$ 69,830,570	\$ 660,007	\$ 69,170,563	\$ 68,631,635	99.22%	\$ 509,729	\$ 69,141,364	99.96%
2003 (1)	\$ 75,831,100	\$ 1,148,137	\$ 74,682,963	\$ 74,224,742	99.39%	\$ 359,678	\$ 74,584,420	99.87%
2004	\$ 79,164,340	\$ 770,110	\$ 78,394,230	\$ 77,461,156	98.81%	\$ 208,870	\$ 77,670,026	99.08%
2005	\$ 81,667,810	\$ 700,105	\$ 80,967,705	\$ 79,932,648	98.72%	\$ 767,568	\$ 80,700,216	99.67%
2006 (1)	\$ 86,009,003	\$ 854,113	\$ 85,154,890	\$ 84,431,577	99.15%	\$ 809,483	\$ 85,241,060	100.10%
2007	\$ 90,261,283	\$ 754,410	\$ 89,506,873	\$ 88,153,719	98.49%	\$ 1,396,877	\$ 89,550,596	100.05%
2008	\$ 94,077,719	\$ 832,176	\$ 93,245,543	\$ 92,107,899	98.78%	\$ 1,018,657	\$ 93,126,556	99.87%
2009 (1)	\$ 97,976,754	\$ 1,127,947	\$ 96,848,807	\$ 96,086,383	99.21%	\$ 821,744	\$ 96,908,127	100.06%
2010	\$ 101,290,116	\$ 822,806	\$ 100,467,310	\$ 99,241,767	98.78%	\$ -	\$ 99,241,767	98.78%



(1) Revaluation year.

(2) Includes tax liens.

Source: Assessor's Department, Town of Andover

**Ratios of Outstanding Debt and General Bonded Debt**

**Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2001	30,251	\$ 1,269,200,671	\$ 3,972,908,975	\$ 53,150,000	\$ -	\$ 1,757	4.19%	1.34%
2002	30,695	\$ 1,313,585,563	\$ 4,496,094,381	\$ 58,421,000	\$ -	\$ 1,903	4.45%	1.30%
2003	29,994	\$ 1,309,258,156	\$ 5,913,651,684	\$ 83,483,223	\$ -	\$ 2,783	6.38%	1.41%
2004	29,843	\$ 1,328,720,243	\$ 6,113,567,902	\$ 81,471,803	\$ -	\$ 2,730	6.13%	1.33%
2005	30,820	\$ 1,399,664,278	\$ 6,350,543,459	\$ 64,311,901	\$ -	\$ 2,087	4.59%	1.01%
2006	33,475	\$ 1,550,643,639	\$ 6,805,544,272	\$ 57,082,966	\$ -	\$ 1,705	3.68%	0.84%
2007	33,284	\$ 1,572,631,974	\$ 7,191,035,284	\$ 54,512,123	\$ -	\$ 1,638	3.47%	0.76%
2008	33,418	\$ 1,610,542,591	\$ 7,179,753,075	\$ 53,776,836	\$ -	\$ 1,609	3.34%	0.75%
2009	33,700	\$ 1,656,615,926	\$ 7,160,470,363	\$ 51,665,413	\$ -	\$ 1,533	3.12%	0.72%
2010	33,700	\$ 1,689,748,245	\$ 6,837,657,244	\$ 50,341,695	\$ -	\$ 1,494	2.98%	0.74%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2001	\$14,315,000	\$ -	\$67,465,000	\$2,230	5.32%	1.70%
2002	\$21,142,000	\$ -	\$79,563,000	\$2,592	6.06%	1.77%
2003	\$23,514,777	\$ -	\$106,998,000	\$3,567	8.17%	1.81%
2004	\$30,141,198	\$ -	\$111,613,001	\$3,740	8.40%	1.83%
2005	\$29,851,101	\$ -	\$94,163,002	\$3,055	6.73%	1.48%
2006	\$27,072,035	\$ -	\$84,155,001	\$2,514	5.43%	1.24%
2007	\$34,974,512	\$ -	\$89,486,635	\$2,689	5.69%	1.24%
2008	\$41,495,469	\$ -	\$95,272,305	\$2,851	5.92%	1.33%
2009	\$40,949,009	\$ -	\$92,614,422	\$2,748	5.59%	1.29%
2010	\$37,567,707	\$ -	\$87,909,402	\$2,609	5.20%	1.29%

(1) Water and Sewer Funds

Source: Audited Financial Statements, U. S. Census, Division of Local Services

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2010**

<u>Town of Andover, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Greater Lawrence Regional Vocational Technical School District... \$	34,405,000	0.8%	\$ 494,915
Greater Lawrence Sanitary District.....	28,872,825	6.4%	1,628,752
Merrimack Valley Transit Authority.....			<u>150,089</u>
Subtotal, overlapping debt.....			<u>2,273,756</u>
Town direct debt.....			<u>50,341,695</u>
Total direct and overlapping debt.....			<u>\$ 52,615,451</u>

Source: Official Statement for Sale of Bonds

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Equalized Valuation.....	\$ 4,268,662,500	\$ 5,589,664,700	\$ 5,589,664,700	\$ 6,525,840,900	\$ 6,525,840,900	\$ 7,353,584,000	\$ 7,353,584,000	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,757,246,000
Debt Limit -5% of Equalized Valuation.....	\$ 213,433,125	\$ 279,483,235	\$ 279,483,235	\$ 326,292,045	\$ 326,292,045	\$ 367,679,200	\$ 367,679,200	\$ 387,862,300	\$ 387,862,300	\$ 387,862,300
Less:										
Outstanding debt applicable to limit.....	52,850,000	58,181,000	61,490,224	59,689,018	59,455,259	59,278,195	61,905,809	67,551,997	67,875,220	66,300,155
Authorized and unissued debt.....	78,655,552	66,732,052	59,612,052	48,127,052	38,994,500	32,853,500	28,691,865	31,184,865	26,227,148	26,655,148
Legal debt margin.....	<u>\$ 81,927,573</u>	<u>\$ 154,570,183</u>	<u>\$ 158,380,959</u>	<u>\$ 218,475,975</u>	<u>\$ 227,842,286</u>	<u>\$ 275,547,505</u>	<u>\$ 277,081,526</u>	<u>\$ 289,125,438</u>	<u>\$ 293,759,932</u>	<u>\$ 294,906,997</u>
Total debt applicable to the limit as a percentage of debt limit.....	61.61%	44.69%	43.33%	33.04%	30.17%	25.06%	24.64%	25.46%	24.26%	23.97%

Source: Official Statement for Sale of Bonds

**Demographic and Economic Statistics**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
2001	30,251	\$ 1,269,200,671	\$ 41,956	39.5	3.1%
2002	30,695	\$ 1,313,585,563	\$ 42,795	39.5	5.1%
2003	29,994	\$ 1,309,258,156	\$ 43,651	39.5	5.2%
2004	29,843	\$ 1,328,720,243	\$ 44,524	39.5	4.5%
2005	30,820	\$ 1,399,664,278	\$ 45,414	39.5	4.0%
2006	33,475	\$ 1,550,643,639	\$ 46,322	39.5	4.1%
2007	33,284	\$ 1,572,631,974	\$ 47,249	39.5	4.1%
2008	33,418	\$ 1,610,542,591	\$ 48,194	39.5	4.0%
2009	33,700	\$ 1,656,615,926	\$ 49,158	39.5	6.7%
2010	33,700	\$ 1,689,748,245	\$ 50,141	39.5	6.9%

Source: U. S. Census, Division of Local Services, Executive Office of Labor and Workforce Development  
 Median age is based on most recent census data

**Principal Employers (excluding Town)**

**Prior Year and Nine Years Ago**

Employer	Nature of Business	2009			2000		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	3,300	1	10%	4,000	1	14%
Philips Electronics	Medical Electronics	2,600	2	8%	2,200	3	8%
Internal Revenue Service	Regional Service Center	2,340	3	7%	2,340	2	8%
Wyeth BioPharma	Biotechnology Research & Manufacturing	1,335	4	4%	1,200	6	4%
Phillips Academy	Private School	1,186	5	4%	-	-	-
Putnam Investments	Mutual Funds	1,000	6	3%	1,800	4	6%
Vicor	Computer Equipment	818	7	2%	746	8	3%
Verizon	Communications	790	8	2%	905	7	3%
Hewlett Packard Services	Computer Equipment	500	9	2%	720	9	3%
Enterasys	Data Processing Services	500	10	2%	-	-	-
Picture Tel Communications	Communications	-	-	-	600	10	2%
CMGI	Technology & Research	-	-	-	1,800	5	6%

Source: Massachusetts Department of Workforce Development

Note: Current year information was not available. Prior year information was used.

**Full-Time Equivalent Town Employees**

**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Full-Time Equivalents</u>										
Town.....	356	366	367	355	355	355	356	356	346	347
School.....	673	695	744	698	758	761	780	784	794	768
Total .....	<u>1,029</u>	<u>1,061</u>	<u>1,111</u>	<u>1,053</u>	<u>1,113</u>	<u>1,116</u>	<u>1,136</u>	<u>1,140</u>	<u>1,140</u>	<u>1,115</u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<u>Function/Program</u>	<u>Calendar Year</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Population.....	30,251	30,251	30,695	29,994	29,843	30,820	33,475	33,284	33,418	33,700
Registered Voters, Annual Town Election.....	19,874	19,853	19,237	18,725	20,220	19,380	19,656	19,560	12,392	12,392
Town Clerk										
Births.....	328	345	345	283	269	272	258	321	249	249
Marriages.....	187	142	163	106	169	133	114	114	113	113
Deaths.....	277	234	296	244	247	260	290	279	290	290
Dogs licensed.....	2,321	2,238	2,260	2,292	2,272	2,230	2,400	2,365	2,493	2,493
Fishing & Hunting Licenses .....	379	424	416	375	296	265	266	300	300	300
Business Certificates.....	115	113	130	167	177	123	107	125	99	99
New Voter Registrations.....	2,398	794	1,603	1,044	2,611	931	1,501	1,320	1,735	1,735
Passport Applications.....	N/A	62	1,361	1,163	1,200	797	825	868	541	541
Public Safety										
Police										
Documented calls for police services.....	38,696	37,126	32,050	31,245	32,245	32,209	31,827	34,542	35,153	35,153
Arrests.....	738	499	450	450	400	578	622	635	694	694
Domestic Abuse.....	39	37	25	35	26	40	42	41	28	28
Vandalism.....	188	301	255	215	214	185	217	152	150	150
Larceny.....	337	490	425	380	345	458	353	343	487	487
Assaults.....	58	73	67	53	33	55	55	41	22	22
Breaking & Entering.....	71	60	51	65	47	69	60	61	61	61
Motor Vehicle accidents.....	1,184	1,163	1,307	1,177	1,087	1,007	971	1,057	899	899
Parking tickets issued.....	14,000	10,250	11,125	12,000	13,900	5,484	5,766	11,249	8,328	8,328
Total number of animal complaints.....	1,131	914	941	822	780	669	769	748	708	708
Fire										
Incidents										
Fires.....	420	768	637	1,098	1,028	1,279	1,159	979	1,077	1,077
EMS Calls.....	2,770	2,610	2,571	3,094	2,514	2,632	2,743	2,793	2,853	2,853
Motor Vehicle Accidents.....	283	321	156	284	253	265	279	301	241	241
Hazardous Conditions.....	N/A	25	96	130	109	227	258	253	246	246
False Alarms & False Calls.....	230	345	490	747	744	814	796	678	815	815
Miscellaneous Alarms.....	528	528	450	529	303	192	25	-	-	-
Good Intent Calls.....	180	106	171	140	117	141	130	117	133	133
Mutual Aid (Fire Calls).....	20	47	14	17	21	21	26	22	19	19
Ambulance Mutual Aid Calls.....	61	53	40	57	50	48	41	45	27	27

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<u>Function/Program</u>	Calendar Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fire Prevention Activities.....	2,343	2,224	2,030	2,204	2,135	1,730	1,658	1,158	1,299	1,299
Service Calls.....	2,265	2,958	2,597	2,460	2,231	2,421	2,159	2,366	2,222	2,222
Training.....	144	177	126	138	232	225	265	230	218	218
Co-Activation.....	45	45	36	34	25	57	77	77	132	132
Permits/certificates issued										
Smoke Detectors.....	725	602	679	814	840	1,038	718	558	442	442
Report Copies.....	72	85	64	66	82	57	62	58	64	64
Blasting Permits.....	7	16	76	51	68	44	9	4	1	1
Cutting/Welding Permits.....	15	13	21	22	24	24	18	-	33	33
Dumpster Permits.....	58	80	100	127	143	104	169	166	148	148
Fireworks Display Permits.....	1	1	1	2	1	1	2	1	2	2
Gunpowder Storage Permits.....	-	1	-	1	3	-	-	1	-	-
Liquid Gas Storage Permits.....	57	63	71	86	53	95	74	93	60	60
Flammable Liquid Storage Permits.....	6	5	6	6	2	9	34	15	109	109
Miscellaneous Permits.....	2	2	3	4	2	10	17	30	4	4
Open Air Burning Permits.....	571	612	234	513	487	437	517	435	326	326
Oil Burner Install Permits.....	112	138	104	108	138	110	127	131	148	148
Commercial Fire Alarm Systems.....	28	69	35	63	78	80	56	53	51	51
Special Suppression System Permits.....	6	10	10	7	2	9	10	8	12	12
Sprinkler Install Permits.....	62	73	45	64	52	69	66	59	63	63
Underground Tank Re-certification.....	-	9	10	9	11	10	8	3	16	16
Underground Tank Removals.....	57	67	49	45	53	41	49	56	93	93
Master Fire Alarm Boxes.....	137	144	156	150	8	20	20	-	-	-
Building Department										
Permits issued.....	1,211	1,143	1,114	1,334	1,483	1,284	1,487	1,270	1,288	1,288
Education										
Public school enrollment.....	5,875	5,886	5,963	5,925	6,000	6,026	6,018	5,939	6,127	6,127
Public Works										
Cemetery										
Lots sold.....	94	108	62	76	53	111	49	48	35	35
Interments/cremations.....	101	101	62	46	57	75	79	71	49	49

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<u>Function/Program</u>	Calendar Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Human Services										
Board of Health										
Plan reviews.....	147	159	175	210	206	222	180	248	291	291
Inspections										
Restaurant .....	224	142	85	110	93	153	197	328	339	339
Environmental/Sanitary Code.....	N/A	175	210	167	185	194	240	386	388	388
Complaints investigated.....	185	494	224	250	309	277	202	N/A	-	-
Administrative Hearings.....	7	4	3	6	14	10	6	9	6	6
Court Actions.....	5	2	1	5	12	12	3	-	-	-
Council on Aging										
Home delivered meals served.....	24,500	22,500	25,000	25,000	26,000	26,520	28,776	30,521	25,479	25,479
Medical-van trips.....	1,200	1,300	1,350	1,875	1,750	1,785	1,785	-	-	-
Libraries										
Program attendance.....	13,616	9,060	14,941	13,798	8,000	8,131	16,110	14,356	5,855	5,855
Books & Periodicals.....	355,000	350,000	355,000	350,000	345,000	332,661	336,224	333,842	360,845	360,845
PC & Internet Use.....	30,000	35,900	45,000	52,500	52,500	50,757	54,454	52,508	62,828	62,828
Reference Questions.....	60,000	55,000	54,900	54,900	56,000	59,618	61,919	62,426	70,000	70,000
Non-Print Circulation.....	150,000	165,000	175,000	190,000	175,000	162,280	161,887	157,731	129,267	129,267
Sewer										
Service connections.....	5,293	5,654	5,680	5,850	5,850	5,850	5,850	6,100	6,100	6,100
Water										
Daily consumption (in million gallons).....	5.760	6.510	6.540	5.940	6.030	6.720	6,200	7,100	7.300	7.300

Source: Various Town Departments

N/A: Information not available

(Concluded)

**Capital Asset Statistics by Function/Program**

**Last Ten Fiscal Years**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
General Government										
Number of Buildings.....	14	14	16	16	16	16	16	16	16	16
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools.....	5	5	6	6	6	6	6	6	6	6
Number of middle schools.....	2	2	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	235	235	235	235	235	235
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Sanitary sewers (miles).....	N/A	N/A	N/A	N/A	146	146	146	146	146	146
Storm sewers (miles).....	80	80	80	80	80	80	80	80	80	80
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	14	14	14	14	14
Parks.....	4	4	4	4	4	4	4	4	4	4
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage.....	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	29	29	31	31	31	31	31	31	31	31
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various Town Departments  
N/A: Information not available

**Computation of Levy Capacity and Unused Levy Capacity**

**Last Ten Fiscal Years**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Levy Limit.....	\$ 65,892,530	\$ 71,123,231	\$ 75,831,251	\$ 79,165,092	\$ 82,285,046	\$ 86,010,409	\$ 87,189,479	\$ 94,111,774	\$ 97,209,952	\$ 101,350,979
Previous Levy.....	\$ 60,382,095	\$ 63,948,257	\$ 68,287,439	\$ 72,287,345	\$ 75,252,414	\$ 78,949,600	\$ 82,958,866	\$ 87,189,479	\$ 91,201,846	\$ 94,838,978
Legal Increase.....	1,509,552	1,598,706	1,707,186	1,807,184	1,881,310	1,973,740	2,073,972	2,179,737	2,280,046	2,370,974
New Growth.....	2,056,610	2,740,476	2,292,720	1,157,885	1,815,876	2,035,526	2,156,641	1,832,630	1,357,086	1,103,536
Debt Exclusion.....	1,944,273	2,835,792	3,543,906	3,912,678	3,335,446	3,051,543	3,110,789	2,909,928	3,173,848	3,037,491
Maximum Taxing Capacity...	<u>\$ 65,892,530</u>	<u>\$ 71,123,231</u>	<u>\$ 75,831,251</u>	<u>\$ 79,165,092</u>	<u>\$ 82,285,046</u>	<u>\$ 86,010,409</u>	<u>\$ 90,300,268</u>	<u>\$ 94,111,774</u>	<u>\$ 98,012,826</u>	<u>\$ 101,350,979</u>
Actual Levy.....	\$ 64,931,425	\$ 69,830,570	\$ 75,831,100	\$ 79,164,340	\$ 81,667,810	\$ 86,009,003	\$ 90,261,283	\$ 94,077,719	\$ 97,976,754	\$ 101,290,116
Unused Levy Capacity.....	\$ 961,105	\$ 1,292,661	\$ 151	\$ 752	\$ 617,236	\$ 1,406	\$ 38,985	\$ 34,055	\$ 36,072	\$ 60,863

Source: Assessor's Department, Town of Andover



Photo Source: Andover File Copy