

**TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Haggetts Pond

For the Year Ended June 30, 2020

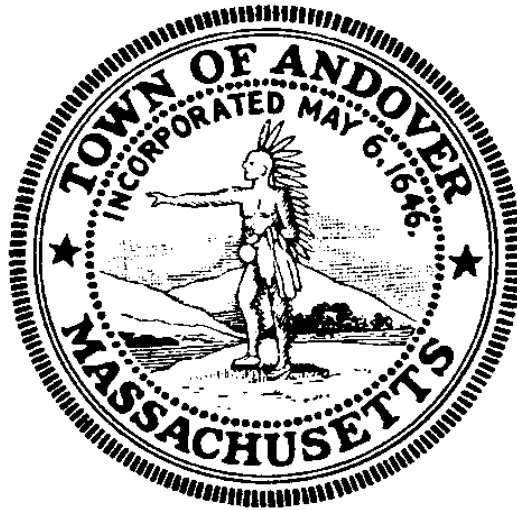


Andover Public Safety During the COVID-19 Pandemic

TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2020



Prepared by:

Hayley Green, Town Accountant / Assistant Finance Director

TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2020

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Introductory Section



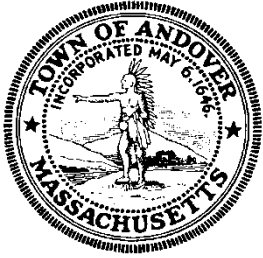
Andover Received the Designation as a Purple Heart Community



Winter Night Outside Memorial Hall at Doherty Middle School

Introductory Section

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Town of Andover

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Andover, Massachusetts 01810
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Letter of Transmittal

December 18, 2020

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

At the close of each 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 year ending June 30, 2020 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 year ended June 30, 2020, are fairly presented in conformity with GAAP.

The Town of Andover's financial statements have been audited by Powers & Sullivan, LLC 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 year ended June 30, 2020, are free of material misstatement. An Audit Committee assists the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

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 unmodified opinion that the Town of Andover's financial statements for the year ended June 30, 2020 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 Reports on Federal Award Programs.

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, manufacturing has played a major part in the Town of Andover's 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-Select Board-Town Manager form of government. The Town is overseen by an elected five-member Select Board, 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, treatment 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 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.

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 operates.

On September 13, 2018, the Town of Andover experienced the Merrimack Valley Gas Disaster. This disaster displaced residents from their homes and routines and closed businesses for many weeks. The community came together to help one another and the Town has emerged stronger. Through negotiations with Columbia Gas the Town received a settlement of more than \$20,000,000 to reimburse for costs incurred during the disaster and to rebuild and make improvements in the gas effected areas. The Town will use the settlement funds (net of reimbursement for actual costs incurred) to restore approximately 19 miles of roadways and repair and replace sidewalks on effected roads as needed. In addition funds will be used for infrastructure restoration and improvements to public facilities and parks (including renovations to our Senior Center and Recreation facilities, which were used during the disaster, and lastly to create connectivity to the downtown area).

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties. A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic. These costs are anticipated to be recovered through various grants administered by the Federal government.

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 "crossroads." 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 largest commercial/industrial employers are Raytheon, Internal Revenue Service, Philips Medical, Pfizer, Putman Investments, Vicor, Schneider Electric, Verizon, Phillips Academy, and Hewlett Packard. 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 \$8.3 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 development climate in Andover continues to reflect positive trends and activities. The Vicor Corporation expanded their manufacturing headquarters by 87,000 square feet at 400 Federal Street. Town Meeting voters overwhelmingly approved a Tax Increment Financing agreement as part of the development. Pfizer opened their

new 178,000 square foot addition to their main campus. The addition is part of a long-term campus wide master plan that will eventually bring the site to 982,000 square feet.

With the demographics of Andover aging faster than most communities in the Commonwealth, two new senior housing facilities have recently opened. The Bridges at Andover is a 63 unit congregate care facility focusing on memory care. Stonehill of Andover consists of 96 units of assisted living and memory care. In addition, Riverside Woods, a housing development for people age 55 and over, is under construction at the site of the former Franciscan Center. Currently more than 100 units are occupied.

In recent years, the Town has experienced historic investment in its downtown with nearly 65,000 square feet of development. On Main Street, developers infused \$14,000,000 into a 47,000 square foot building. This helped to transform the public realm along Main Street by enlivening the streetscape with new commercial and office space which is now home to restaurants, a spa and a fitness center. A new 9,872 square foot commercial building is also under construction on Park Street.

The new Municipal Services Facility is located at 5 Campanelli Drive. which is a recent re-location out of the downtown area. This re-location allowed for targeted economic growth and expansion of the downtown consistent with the newly adopted Historic Mill District. This zoning overlay district is intended to promote the redevelopment of a large area of approximately 100 acres between Main Street, Dundee Park, the Shawsheen River and the Whole Foods Grocery Store. The new district will help facilitate a highly controlled process that is in keeping with the character of the central business district while promoting opportunities for new retail, office and housing, expand the existing tax base, bolster property values and expand the downtown to the regional transit station. After much public input, the Select Board recently voted to sell the land where the old Municipal Facilities building resides. The Town is currently in the process of developing a community authored Request for Proposal (RFP) that would allow for the disposition of the facility. The Town plans to solicit offers for this municipal land.

In September 2019, the Andover Planning Board approved a 525,000 square foot mixed use development at 146 Dascomb Road. The project represents a \$220,000,000 private investment which proposes a mix of restaurants, retail and office space as well as a boutique hotel. Constructing the project is expected to generate 1,000 temporary construction jobs and 1,800 full-time jobs.

Long-term financial planning: The Town 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/or level 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 \$116.6 million worth of long and short-term debt. This indebtedness consists of approximately \$85.5 million of general government debt and \$31.1 million of enterprise fund debt, which is self-supporting through enterprise fund revenues. The Town has authorized but unissued debt for Town building improvements, land acquisition, landfill closure, water and sewer infrastructure and other various projects totaling \$30.7 million as of June 30, 2020.

The Town's Bond Premium Stabilization Fund totals \$1.1 million at June 30, 2020. The fund is used, by a vote of Town Meeting, to supplement interest payments on non-exempt long-term bonds to ensure that the taxpayers only pay the true interest cost. The Town's General Stabilization fund totals \$6.6 million as of June 30, 2020.

The Town 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.

Cash management policies and practices: The Town issues property tax bills quarterly and derives approximately 83% 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. 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.

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 manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. The Town is self-insured for its health care plans and workers' compensation is 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 \$50,000.

Pension and other postemployment benefits: The Town 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. Management implemented both a policy and methodology for determining a discount rate that reflects past and projected future performance. The liability included in the financial statements, and consistent with GASB 68, is based on a discount rate of 6.25%. The system has succeeded in funding

49.66% of the present value of the projected benefits earned by employees based on the most recent actuarial valuation dated January 1, 2020.

The Town also provides postretirement health care and life insurance benefits for Town and School retirees and their dependents. The Town established an Other Post Employment Benefit Trust Fund (OPEB) at the April 2010 Annual Town Meeting and has continued to make deposits. Town Meeting appropriated \$2.0 million to the OPEB Trust Fund in 2020 bringing the balance in the fund to \$15.0 million.

Additional information on the Town's pension and other postemployment benefits may be found in the notes to the financial statements and required supplementary information.

Annual budget process and control: The Town Manager is responsible for preparing and presenting the budget to the Finance Committee and the Select Board. The Select Board reviews 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 functional 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.

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 year ended June 30, 2019. This was the sixteenth 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 also received the GFOA's Distinguished Budget Presentation Award for its fiscal 2020 annual budget document. To qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

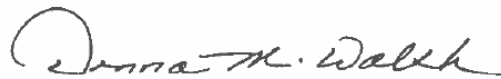
The preparation of this report would not have been possible without the efficient and dedicated services of the Town's financial team. We would like to express our sincere appreciation to Town Accountant/Assistant Finance Director, Hayley Green and all members, both Town and School, who assisted and contributed in the preparation of this report. Credit should be given to the dedicated Town and School workers, our elected officials and appointed board and committee members for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover.

On behalf of the Town, we are pleased to share Andover's 2020 CAFR.

Respectfully submitted,



Andrew P. Flanagan
Town Manager



Donna Walsh
Finance Director



Government Finance Officers Association

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, 2019

Christopher P. Morrill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Andover

Massachusetts

For the Fiscal Year Beginning

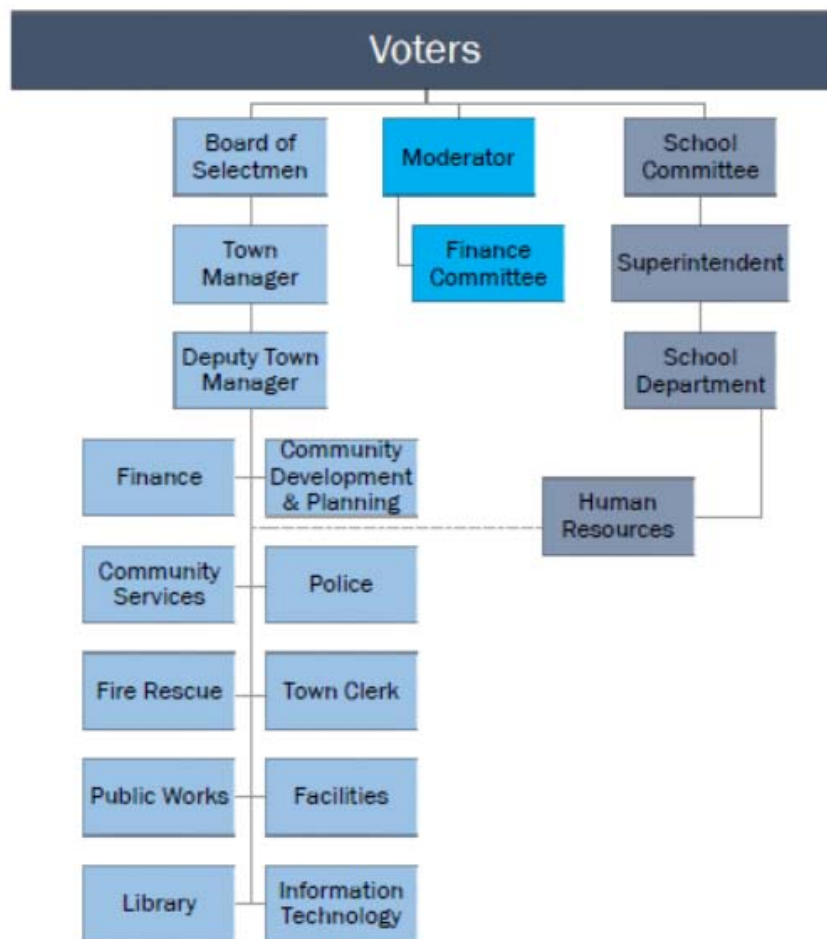
July 1, 2019

Christopher P. Morill

Executive Director

Town of Andover

ORGANIZATIONAL CHART



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 as of June 30, 2020

Elected Officials

Select Board

Laura M. Gregory, Chair
Ann W. Gilbert, Vice Chair
Daniel A. Koh, Clerk
Christian C. Huntress
Alexander J. Vispoli

Town Moderator

Sheila M. Doherty

School Committee

Shannon Scully, Chair
Tracey Spruce
Lauren Conoscenti
Paul D. Murphy
Susan K. McCready, Vice Chair

Appointed Officials

Town Manager

Andrew P. Flanagan

Superintendent of Schools

Dr. Sheldon Berman

Finance Director

Donna Walsh

Town Accountant/Assistant Finance Director

Hayley S. Green

Treasurer

Michael Morse

Town Assessor

David Billard

Town Clerk & Chief Strategy Officer

Austin P. Simko

Fire Chief

Michael B. Mansfield

Police Chief

Patrick Keefe

Human Resources Director

Candace A. Hall-Nourse

Library Director

Barbara McNamara

Director of Public Works

Christopher M. Cronin

Director of Facilities

Janet Nicosia

Chief Information Officer

Paul Puzzanghera

Financial Section



Downtown Andover



Memorial Hall Library

Financial Section

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Independent Auditor's Report

To the Honorable Select Board and the Audit Committee
Town of Andover, Massachusetts

Report on the Financial Statements

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 year ended June 30, 2020 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Andover, Massachusetts' basic financial statements. The introductory section, combining and individual fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, as listed in the table of contents, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Andover, Massachusetts' internal control over financial reporting and compliance.



December 18, 2020

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 year ended June 30, 2020. 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 year, the Town's general fund reported an ending fund balance of \$25.9 million which represents 14.3% of total general fund budgetary basis expenditures.
- For the government-wide financial statements, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent year by \$50.6 million (net position).
- The net OPEB liability decreased by \$10.6 million. This decrease can be attributed to an \$8.2 million decrease in the total OPEB liability that was offset by an increase in the OPEB trust fund's fiduciary net position of \$2.5 million. The decrease in the total OPEB liability is primarily due to differences between expected and actual experience and changes of assumptions. The increase in net position is due to \$2.0 million of employer contributions and \$503,000 of net investment income.
- The governmental deferred outflows/inflows of resources related to OPEB, net resulted in a decrease in net position of \$10.8 million; which will be recognized as expense over the next five years.
- The net pension liability decreased by \$16.4 million. This decrease can be attributed to the increase in the pension trust fund's fiduciary net position totaling \$24.6 million. This increase in the fund's net position is primarily attributable to net investment income totaling \$24.9 million.
- The governmental deferred outflows/inflows of resources related to pensions, net resulted in a decrease in net position of \$24.8 million; which will be recognized as expense over the next four years.
- The total gross debt (short-term and long-term combined) increased by \$1.1 million during the current year. This was due to the net effect of \$11.4 million in principal payments on long-term outstanding debt, and the issuance of an additional \$11.8 million of bonds as well as retirements of short-term debt totaling \$2.7 million and the issuance of \$3.4 million of short-term debt.
- The Town contributed an additional \$2.0 million to the OPEB trust fund in 2020 and at year-end the trust fund had a net position of \$15.0 million.
- The Town reported extraordinary items consisting of \$41,000 in reimbursements and \$2.3 million in expenses, of which \$1.8 million were capitalized for the government-wide financial statements. These extraordinary items related to gas explosions that occurred throughout the Town in 2019 (See Note 15).
- In 2020, the Town incurred \$406,000 of expenses related to the COVID-19 Pandemic, which were funded by grants received by the State and Federal governments (See Note 16).

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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, public safety, education, public works, public facilities, community services, library, COVID-19, claims and judgements, 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. The focus of the Town of Andover's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Andover's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

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 budget to actual 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 position may serve over time as a useful indicator of a government's financial position. The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources by \$50.6 million at the close of 2020, which was a decrease of \$2.1 million from the prior year.

Net position of \$167.0 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 position, \$11.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$228.9 million. The primary reason for the deficit balance is the recognition of the net pension and net OPEB liabilities.

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

Governmental Activities

The Town of Andover's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$99.6 million at the close of 2020, which was a decrease of \$1.8 million from the prior year.

| | 2020 | 2019 |
|---|------------------------|------------------------|
| Assets: | | |
| Current assets..... | \$ 101,710,824 | \$ 93,084,689 |
| Noncurrent assets (excluding capital)..... | 316,708 | 327,888 |
| Capital assets, non depreciable..... | 39,514,702 | 34,884,265 |
| Capital assets, net of accumulated depreciation..... | 160,894,855 | 162,597,197 |
| Total assets..... | 302,437,089 | 290,894,039 |
| Deferred outflows of resources..... | 17,489,826 | 32,038,644 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 17,044,703 | 14,833,524 |
| Noncurrent liabilities (excluding debt)..... | 283,789,909 | 308,214,683 |
| Current debt..... | 10,706,612 | 8,404,851 |
| Noncurrent debt..... | 74,815,604 | 77,240,392 |
| Total liabilities..... | 386,356,828 | 408,693,450 |
| Deferred inflows of resources..... | 33,179,706 | 12,079,258 |
| Net position: | | |
| Net investment in capital assets..... | 120,784,434 | 118,786,722 |
| Restricted..... | 11,300,312 | 10,983,413 |
| Unrestricted..... | (231,694,365) | (227,610,160) |
| Total net position..... | \$ (99,609,619) | \$ (97,840,025) |
| Program Revenues: | | |
| Charges for services..... | \$ 13,664,164 | \$ 16,280,383 |
| Operating grants and contributions..... | 43,074,422 | 35,549,412 |
| Capital grants and contributions..... | 2,149,385 | 372,995 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 150,700,501 | 144,265,717 |
| Tax and other liens..... | 369,683 | 678,899 |
| Motor vehicle and other excise taxes..... | 5,949,352 | 6,115,370 |
| Hotel/motel tax..... | 1,807,513 | 2,360,307 |
| Meals tax..... | 601,416 | 622,132 |
| Penalties and interest on taxes..... | 557,100 | 572,136 |
| Grants and contributions not restricted to specific programs..... | 2,126,802 | 2,099,148 |
| Unrestricted investment income..... | 1,467,663 | 1,348,115 |
| Total revenues..... | 222,468,001 | 210,264,614 |

| | 2020 | 2019 |
|---|------------------------|------------------------|
| Expenses: | | |
| General government..... | 15,353,486 | 15,142,631 |
| Public safety..... | 30,274,085 | 30,810,933 |
| Education..... | 144,304,602 | 134,040,164 |
| Public works..... | 13,339,464 | 10,880,271 |
| Public facilities..... | 7,573,021 | 7,410,129 |
| Community services..... | 5,485,241 | 5,778,428 |
| Library..... | 4,396,524 | 4,392,675 |
| COVID-19..... | 406,209 | - |
| Claims and judgments..... | - | 13,500 |
| Interest..... | 2,660,557 | 2,540,131 |
| Total expenses..... | 223,793,189 | 211,008,862 |
| Excess (Deficiency) before extraordinary items..... | (1,325,188) | (744,248) |
| Extraordinary item - gas disaster settlement funds.... | 41,478 | 19,381,109 |
| Extraordinary item - gas disaster expenses..... | (485,884) | (1,706,855) |
| Change in net position..... | (1,769,594) | 16,930,006 |
| Net position, beginning of year..... | (97,840,025) | (114,770,031) |
| Net position, end of year..... | \$ (99,609,619) | \$ (97,840,025) |

The governmental expenses totaled \$223.8 million, of which \$58.9 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$163.6 million, primarily coming from property taxes, motor vehicle excise and other excise taxes, and non-restricted state aid.

The governmental net position decreased by \$1.8 million during the current year. This decrease was attributable to the net change in deferred outflows/inflows of resources related to pensions and OPEB totaling \$24.8 million and \$10.8 million, respectively. These decreases were offset by \$16.0 million and \$9.3 million decreases in the net pension and net OPEB liabilities, a \$4.4 million general fund operating surplus and a \$4.4 million operating surplus in the internal service fund.

Business-Type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49.1 million at the close of 2020.

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 20,290,833 | \$ 20,808,159 |
| Noncurrent assets (excluding capital)..... | 3,506,147 | 4,066,867 |
| Capital assets, non depreciable..... | 2,151,088 | 1,674,280 |
| Capital assets, net of accumulated depreciation.... | 71,239,216 | 69,328,044 |
| Total assets..... | 97,187,284 | 95,877,350 |
| Deferred outflows of resources..... | 1,162,658 | 1,851,636 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 856,847 | 776,664 |
| Noncurrent liabilities (excluding debt)..... | 14,749,143 | 16,546,270 |
| Current debt..... | 4,419,816 | 5,826,375 |
| Noncurrent debt..... | 26,708,725 | 24,173,541 |
| Total liabilities..... | 46,734,531 | 47,322,850 |
| Deferred inflows of resources..... | 2,562,915 | 1,060,833 |
| Net position: | | |
| Net investment in capital assets..... | 46,240,734 | 43,602,463 |
| Unrestricted..... | 2,811,762 | 5,742,840 |
| Total net position..... | \$ 49,052,496 | \$ 49,345,303 |
| Program Revenues: | | |
| Charges for services..... | \$ 14,472,959 | \$ 13,640,061 |
| General Revenues: | | |
| Unrestricted investment income..... | 119,430 | 132,892 |
| Total revenues..... | 14,592,389 | 13,772,953 |
| Expenses: | | |
| Water..... | 10,259,115 | 9,205,318 |
| Sewer..... | 4,626,081 | 4,583,488 |
| Total expenses..... | 14,885,196 | 13,788,806 |
| Change in net position..... | (292,807) | (15,853) |
| Net position, beginning of year..... | 49,345,303 | 49,361,156 |
| Net position, end of year..... | \$ 49,052,496 | \$ 49,345,303 |

Business-type net position of \$46.2 million (94%) represents the investment in capital assets while \$2.8 million (6%) is unrestricted. The Town's business-type net position decreased by \$293,000 in the current year.

The water department net position decreased by \$570,000. This decrease is primarily due to decreases from deferred outflows/inflows of resources related to pensions and OPEB totaling \$763,000 and \$1.1 million, respectively. These decreases were offset by decreases in the net pension and net OPEB liabilities totaling \$282,000 and \$1.1 million, respectively.

The sewer department net position increased by \$277,000. This increase is primarily due to debt principal raised in the sewer rates exceeding depreciation expense by \$776,000. This increase was offset by a \$421,000 decrease from operations.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$66.1 million, which is comprised of \$25.8 million in the general fund, \$12.3 million in the gas disaster paving restoration fund, \$1.6 million in the gas disaster mitigation fund, and \$26.3 million in the nonmajor governmental funds. Cumulatively, there was an increase of \$22,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$22.7 million, while total fund balance was \$25.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.5% of total general fund budgetary expenditures, while total fund balance represents 14.3% of that same amount. The general fund experienced an increase of \$4.4 million, which was due to a \$3.7 million increase from budgetary operating results, a \$414,000 increase from the recognition of real estate and personal property tax revenue received within 60 days of year-end, a \$115,000 increase in the general stabilization fund, which is recorded in the general fund for GAAP and a \$152,000 decrease in recording tax refunds payable.

The Highway Construction fund accounts for a state reimbursement grant to support highway construction. The Town expended \$1.5 million for approved projects and recognized state grant revenue of \$1.5 million.

In accordance with a Settlement Agreement with Columbia Gas following the 2019 gas explosion (See Note 15 for further information), the Town received payments of \$14.0 million and \$3.0 million, which were reported in the Gas Disaster Paving Restoration and Gas Disaster Mitigation funds, respectively. In 2020, the Town expended \$2.2 million from the Gas Disaster Paving Restoration fund. The Town also transferred \$700,000 from the Gas Mitigation fund to a capital projects fund for renovations to the senior center and expended an additional \$58,000 for design services.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2020, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. In 2020, the Town incurred \$406,000 of COVID related expenditures. The Town plans to submit reimbursements to the Federal Emergency Management Agency

(FEMA), apply for funding from the CARES Act, and use other local grant receipts to cover these costs (See Note 16 for further information).

The nonmajor funds experienced a decrease of \$724,000, which was due to timing differences between the receipt and expenditure of grant funds and the permanent financing of capital projects.

General Fund Budgetary Highlights

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$187.8 million in appropriations and other amounts to be raised, there were no supplemental appropriations in 2020.

For the 2020 budget, the Town changed the legal level of spending as voted at the Annual Town Meeting. This change has been reflected in the presentation of the budget to actual schedule.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming 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 year include the following:

- Governmental activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$12.3 million.
- Business-type activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$6.0 million.

Of the additions to Governmental activities, \$1.8 million were capitalized from the Gas Disaster Paving Restoration fund to replace existing roadways that were damaged as a result of the gas disaster.

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

As of June 30, 2020, outstanding long-term debt for governmental activities totaled \$82.4 million, of which \$40.4 million is related to school projects, \$28.3 million is for municipal services, \$5.0 million is for land acquisition, \$2.7 million is for public safety projects, \$2.6 million is for culture and recreation projects, and the remaining balance of \$3.4 million relates to unamortized bond premiums. The Town issued \$5.2 million of governmental bonds in 2020.

The sewer and water enterprise funds have outstanding long-term debt totaling \$10.1 million and \$20.7 million including unamortized premiums, respectively. \$6.6 million of new long-term debt was issued in 2020 for water infrastructure improvements. The debt is fully supported by rates and does not rely on a general fund subsidy.

Please refer to notes 4, 6, 7, and 8 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 POSITION

JUNE 30, 2020

| | Primary Government | | |
|---|-------------------------------|-----------------------------|-------------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 83,365,046 | \$ 14,496,136 | \$ 97,861,182 |
| Investments..... | 6,972,031 | - | 6,972,031 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 2,197,660 | - | 2,197,660 |
| Tax liens..... | 2,593,869 | 47,320 | 2,641,189 |
| Motor vehicle and other excise taxes..... | 505,948 | - | 505,948 |
| User charges..... | - | 5,174,836 | 5,174,836 |
| Departmental and other..... | 1,845,264 | - | 1,845,264 |
| Intergovernmental..... | 3,971,914 | - | 3,971,914 |
| Special assessments..... | - | 572,541 | 572,541 |
| Tax foreclosures..... | 259,092 | - | 259,092 |
| Total current assets..... | <u>101,710,824</u> | <u>20,290,833</u> | <u>122,001,657</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | 316,708 | - | 316,708 |
| Special assessments..... | - | 3,506,147 | 3,506,147 |
| Capital assets, nondepreciable..... | 39,514,702 | 2,151,088 | 41,665,790 |
| Capital assets, net of accumulated depreciation..... | 160,894,855 | 71,239,216 | 232,134,071 |
| Total noncurrent assets..... | <u>200,726,265</u> | <u>76,896,451</u> | <u>277,622,716</u> |
| TOTAL ASSETS..... | <u>302,437,089</u> | <u>97,187,284</u> | <u>399,624,373</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows for refunding debt..... | 89,905 | 56,801 | 146,706 |
| Deferred outflows related to pensions..... | 11,333,101 | 735,341 | 12,068,442 |
| Deferred outflows related to other postemployment benefits..... | 6,066,820 | 370,516 | 6,437,336 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>17,489,826</u> | <u>1,162,658</u> | <u>18,652,484</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 3,389,756 | 266,504 | 3,656,260 |
| Accrued payroll..... | 7,451,180 | 51,847 | 7,503,027 |
| Health claims payable..... | 1,825,000 | - | 1,825,000 |
| Tax refunds payable..... | 241,000 | - | 241,000 |
| Due to other governments..... | - | 87,213 | 87,213 |
| Accrued interest..... | 773,267 | 255,887 | 1,029,154 |
| Liabilities due depositors..... | - | 10,396 | 10,396 |
| Other liabilities..... | 673,170 | - | 673,170 |
| Unearned revenue..... | 174,330 | - | 174,330 |
| Landfill closure..... | 308,000 | - | 308,000 |
| Compensated absences..... | 2,177,000 | 185,000 | 2,362,000 |
| Workers' compensation..... | 32,000 | - | 32,000 |
| Capital lease obligations..... | 46,131 | - | 46,131 |
| Notes payable..... | 3,061,000 | 355,000 | 3,416,000 |
| Bonds payable..... | 7,599,481 | 4,064,816 | 11,664,297 |
| Total current liabilities..... | <u>27,751,315</u> | <u>5,276,663</u> | <u>33,027,978</u> |
| NONCURRENT: | | | |
| Due to other governments..... | - | 543,362 | 543,362 |
| Landfill closure..... | 14,392,000 | - | 14,392,000 |
| Compensated absences..... | 3,075,000 | 219,000 | 3,294,000 |
| Workers' compensation..... | 291,000 | - | 291,000 |
| Net pension liability..... | 156,326,917 | 6,560,670 | 162,887,587 |
| Net other postemployment benefits liability..... | 109,704,992 | 7,426,111 | 117,131,103 |
| Bonds payable..... | 74,815,604 | 26,708,725 | 101,524,329 |
| Total noncurrent liabilities..... | <u>358,605,513</u> | <u>41,457,868</u> | <u>400,063,381</u> |
| TOTAL LIABILITIES..... | <u>386,356,828</u> | <u>46,734,531</u> | <u>433,091,359</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions..... | 13,799,181 | 657,780 | 14,456,961 |
| Deferred inflows related to other postemployment benefits..... | 19,380,525 | 1,905,135 | 21,285,660 |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>33,179,706</u> | <u>2,562,915</u> | <u>35,742,621</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 120,784,434 | 46,240,734 | 167,025,168 |
| Restricted for: | | | |
| Debt service..... | 453,580 | - | 453,580 |
| Permanent funds: | | | |
| Expendable..... | 774,806 | - | 774,806 |
| Nonexpendable..... | 1,266,307 | - | 1,266,307 |
| Gifts and grants..... | 8,805,619 | - | 8,805,619 |
| Unrestricted..... | (231,694,365) | 2,811,762 | (228,882,603) |
| TOTAL NET POSITION..... | <u>\$ (99,609,619)</u> | <u>\$ 49,052,496</u> | <u>\$ (50,557,123)</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|-----------------------|-------------------------|--|--|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 15,353,486 | \$ 1,697,431 | \$ 1,108,403 | \$ - | \$ (12,547,652) |
| Public safety..... | 30,274,085 | 5,799,890 | 185,495 | - | (24,288,700) |
| Education..... | 144,304,602 | 4,234,692 | 40,029,101 | 246,352 | (99,794,457) |
| Public works..... | 13,339,464 | 245,053 | 602,593 | 1,487,737 | (11,004,081) |
| Public facilities..... | 7,573,021 | 106,969 | - | - | (7,466,052) |
| Community services..... | 5,485,241 | 1,576,708 | 642,008 | 415,296 | (2,851,229) |
| Library..... | 4,396,524 | 3,421 | 100,613 | - | (4,292,490) |
| COVID-19..... | 406,209 | - | 406,209 | - | - |
| Interest..... | 2,660,557 | - | - | - | (2,660,557) |
| Total Governmental Activities..... | 223,793,189 | 13,664,164 | 43,074,422 | 2,149,385 | (164,905,218) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 10,259,115 | 9,617,768 | - | - | (641,347) |
| Sewer..... | 4,626,081 | 4,855,191 | - | - | 229,110 |
| Total Business-Type Activities..... | 14,885,196 | 14,472,959 | - | - | (412,237) |
| Total Primary Government..... | \$ 238,678,385 | \$ 28,137,123 | \$ 43,074,422 | \$ 2,149,385 | \$ (165,317,455) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

| | Primary Government | | |
|---|-------------------------------|-----------------------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... | \$ (164,905,218) | \$ (412,237) | \$ (165,317,455) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 150,700,501 | - | 150,700,501 |
| Tax and other liens..... | 369,683 | - | 369,683 |
| Motor vehicle and other excise taxes..... | 5,949,352 | - | 5,949,352 |
| Hotel/motel tax..... | 1,807,513 | - | 1,807,513 |
| Meals tax..... | 601,416 | - | 601,416 |
| Penalties and interest on taxes..... | 557,100 | - | 557,100 |
| Grants and contributions not restricted to specific programs..... | 2,126,802 | - | 2,126,802 |
| Unrestricted investment income..... | 1,467,663 | 119,430 | 1,587,093 |
| <i>Extraordinary items - gas disaster settlement funds.....</i> | 41,478 | - | 41,478 |
| <i>Extraordinary items - gas disaster expenses.....</i> | <u>(485,884)</u> | <u>-</u> | <u>(485,884)</u> |
| Total general revenues and extraordinary items..... | <u>163,135,624</u> | <u>119,430</u> | <u>163,255,054</u> |
| Change in net position..... | (1,769,594) | (292,807) | (2,062,401) |
| <i>Net position:</i> | | | |
| Beginning of year..... | <u>(97,840,025)</u> | <u>49,345,303</u> | <u>(48,494,722)</u> |
| End of year..... | \$ <u><u>(99,609,619)</u></u> | \$ <u><u>49,052,496</u></u> | \$ <u><u>(50,557,123)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

| | General | Highway Construction | Gas Disaster Paving Restoration | Gas Disaster Mitigation | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------|---------------------------------------|----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 28,251,565 | \$ - | \$ 12,381,387 | \$ 1,641,615 | \$ 29,762,772 | \$ 72,037,339 |
| Investments..... | 5,668,575 | - | - | - | 1,303,456 | 6,972,031 |
| Receivables, net of uncollectibles: | | | | | | |
| Real estate and personal property taxes..... | 2,197,660 | - | - | - | - | 2,197,660 |
| Tax liens..... | 2,593,869 | - | - | - | - | 2,593,869 |
| Motor vehicle and other excise taxes..... | 505,948 | - | - | - | - | 505,948 |
| Departmental and other..... | 602,438 | - | - | - | 61,962 | 664,400 |
| Intergovernmental..... | - | 3,239,923 | - | - | 731,991 | 3,971,914 |
| Tax foreclosures..... | 259,092 | - | - | - | - | 259,092 |
| Due from other funds..... | 145,253 | - | - | - | - | 145,253 |
| TOTAL ASSETS..... | \$ 40,224,400 | \$ 3,239,923 | \$ 12,381,387 | \$ 1,641,615 | \$ 31,860,181 | \$ 89,347,506 |
| LIABILITIES | | | | | | |
| Warrants payable..... | \$ 1,317,105 | \$ 64,964 | \$ 51,031 | \$ - | \$ 1,775,239 | \$ 3,208,339 |
| Accrued payroll..... | 7,262,522 | 956 | - | - | 187,702 | 7,451,180 |
| Tax refunds payable..... | 241,000 | - | - | - | - | 241,000 |
| Due to other funds..... | - | 52,896 | - | - | 92,357 | 145,253 |
| Other liabilities..... | 44,817 | - | - | - | 191,069 | 235,886 |
| Unearned revenue..... | - | - | - | - | 174,330 | 174,330 |
| Notes payable..... | - | - | - | - | 3,061,000 | 3,061,000 |
| TOTAL LIABILITIES..... | 8,865,444 | 118,816 | 51,031 | - | 5,481,697 | 14,516,988 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue..... | 5,502,297 | 3,121,107 | - | - | 57,154 | 8,680,558 |
| FUND BALANCES | | | | | | |
| Nonspendable..... | - | - | - | - | 1,266,307 | 1,266,307 |
| Restricted..... | 453,580 | - | 12,330,356 | 1,641,615 | 25,745,971 | 40,171,522 |
| Committed..... | 1,189,420 | - | - | - | - | 1,189,420 |
| Assigned..... | 1,490,233 | - | - | - | - | 1,490,233 |
| Unassigned..... | 22,723,426 | - | - | - | (690,948) | 22,032,478 |
| TOTAL FUND BALANCES..... | 25,856,659 | - | 12,330,356 | 1,641,615 | 26,321,330 | 66,149,960 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 40,224,400 | \$ 3,239,923 | \$ 12,381,387 | \$ 1,641,615 | \$ 31,860,181 | \$ 89,347,506 |

See notes to basic financial statements.

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

JUNE 30, 2020

| | | |
|--|----|----------------------|
| Total governmental fund balances..... | \$ | 66,149,960 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 200,409,557 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 8,680,558 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | (15,689,880) |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | | 10,058,578 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (773,267) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | | (82,415,085) |
| Net pension liability..... | | (156,326,917) |
| Net other postemployment benefits liability..... | | (109,704,992) |
| Landfill closure..... | | (14,700,000) |
| Capital lease obligations..... | | (46,131) |
| Compensated absences..... | | (5,252,000) |
| Net effect of reporting long-term liabilities..... | | <u>(368,445,125)</u> |
| Net position of governmental activities..... | \$ | <u>(99,609,619)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

| | General | Highway Construction | Gas Disaster Paving Restoration | Gas Disaster Mitigation | Gas Disaster Reimbursement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------|---------------------------------------|----------------------------|-------------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 150,883,719 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 150,883,719 |
| Tax liens..... | 224,975 | - | - | - | - | - | 224,975 |
| Motor vehicle and other excise taxes..... | 5,962,010 | - | - | - | - | - | 5,962,010 |
| Hotel/motel tax..... | 1,807,513 | - | - | - | - | - | 1,807,513 |
| Meals tax..... | 601,416 | - | - | - | - | - | 601,416 |
| Charges for services..... | - | - | - | - | - | 943,623 | 943,623 |
| Penalties and interest on taxes..... | 557,100 | - | - | - | - | - | 557,100 |
| Licenses and permits..... | 3,209,427 | - | - | - | - | - | 3,209,427 |
| Intergovernmental - School Building Authority..... | - | - | - | - | - | 246,352 | 246,352 |
| Intergovernmental - Teachers Retirement..... | 22,893,211 | - | - | - | - | - | 22,893,211 |
| Intergovernmental..... | 14,610,563 | 1,474,558 | - | - | - | 6,537,874 | 22,622,995 |
| Intergovernmental - COVID-19 relief..... | - | - | - | - | - | 406,209 | 406,209 |
| Departmental and other..... | 3,054,664 | - | - | - | - | 7,579,822 | 10,634,486 |
| Contributions and donations..... | - | - | - | - | - | 310,926 | 310,926 |
| Investment income..... | 1,243,960 | - | - | - | - | 150,589 | 1,394,549 |
| TOTAL REVENUES..... | 205,048,558 | 1,474,558 | - | - | - | 16,175,395 | 222,698,511 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government..... | 8,126,941 | - | - | - | - | 1,218,102 | 9,345,043 |
| Public safety..... | 17,374,975 | - | - | - | - | 1,410,592 | 18,785,567 |
| Education..... | 86,265,645 | - | - | - | - | 9,006,831 | 95,272,476 |
| Public works..... | 8,761,779 | 1,474,558 | - | - | - | 75,037 | 10,311,374 |
| Public facilities..... | 2,997,781 | - | - | - | - | 194,213 | 3,191,994 |
| Community services..... | 2,165,296 | - | - | - | - | 1,840,661 | 4,005,957 |
| Library..... | 2,684,045 | - | - | - | - | 68,710 | 2,752,755 |
| COVID-19..... | - | - | - | - | - | 406,209 | 406,209 |
| Pension benefits..... | 10,970,247 | - | - | - | - | - | 10,970,247 |
| Pension benefits - Teachers Retirement..... | 22,893,211 | - | - | - | - | - | 22,893,211 |
| Property and liability insurance..... | 1,064,473 | - | - | - | - | - | 1,064,473 |
| Employee benefits..... | 22,642,514 | - | - | - | - | - | 22,642,514 |
| State and county charges..... | 769,672 | - | - | - | - | - | 769,672 |
| Capital outlay..... | - | - | - | - | - | 12,803,744 | 12,803,744 |
| Debt service: | | | | | | | |
| Principal..... | 7,014,124 | - | - | - | - | - | 7,014,124 |
| Interest..... | 3,373,838 | - | - | - | - | - | 3,373,838 |
| TOTAL EXPENDITURES..... | 197,104,541 | 1,474,558 | - | - | - | 27,024,099 | 225,603,198 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 7,944,017 | - | - | - | - | (10,848,704) | (2,904,687) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Issuance of bonds..... | - | - | - | - | - | 4,873,000 | 4,873,000 |
| Premium from issuance of bonds..... | - | - | - | - | - | 347,824 | 347,824 |
| Transfers in..... | 405,405 | - | - | - | - | 5,682,333 | 6,087,738 |
| Transfers out..... | (3,963,698) | - | - | (700,000) | (645,765) | (778,275) | (6,087,738) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (3,558,293) | - | - | (700,000) | (645,765) | 10,124,882 | 5,220,824 |
| EXTRAORDINARY ITEMS: | | | | | | | |
| Gas disaster settlement funds..... | - | - | - | - | 41,478 | - | 41,478 |
| Gas disaster expenses..... | - | - | (2,234,644) | (58,385) | (42,398) | - | (2,335,427) |
| TOTAL EXTRAORDINARY ITEMS..... | - | - | (2,234,644) | (58,385) | (920) | - | (2,293,949) |
| NET CHANGE IN FUND BALANCES..... | 4,385,724 | - | (2,234,644) | (758,385) | (646,685) | (723,822) | 22,188 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 21,470,935 | - | 14,565,000 | 2,400,000 | 646,685 | 27,045,152 | 66,127,772 |
| FUND BALANCES AT END OF YEAR..... | \$ 25,856,659 | \$ - | \$ 12,330,356 | \$ 1,641,615 | \$ - | \$ 26,321,330 | \$ 66,149,960 |

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**

YEAR ENDED JUNE 30, 2020

| | | |
|--|--------------------|------------------------------|
| Net change in fund balances - total governmental funds..... | | \$ 22,188 |
| <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..... | 12,286,637 | |
| Depreciation expense..... | <u>(9,358,542)</u> | |
| Net effect of reporting capital assets..... | | 2,928,095 |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | |
| | | (303,624) |
| <p>The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Principal payments on capital leases..... | 89,883 | |
| Issuance of bonds..... | (4,873,000) | |
| Premium from issuance of bonds..... | (347,824) | |
| Net amortization of premium from issuance of bonds..... | 680,844 | |
| Net change in deferred charge on refunding..... | (55,569) | |
| Debt service principal payments..... | <u>7,014,124</u> | |
| Net effect of reporting long-term debt..... | | 2,508,458 |
| <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..... | (524,000) | |
| Net change in accrued interest on long-term debt..... | 88,006 | |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | (24,820,231) | |
| Net change in net pension liability..... | 16,033,960 | |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits... | (10,819,211) | |
| Net change in net other postemployment benefits liability..... | 9,268,814 | |
| Net change in landfill closure..... | <u>(560,000)</u> | |
| Net effect of recording long-term liabilities..... | | (11,332,662) |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>4,407,951</u> |
| Change in net position of governmental activities..... | | \$ <u><u>(1,769,594)</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|---|---|-----------------------------|-----------------------------|--|
| | Water | Sewer | Total | |
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 10,002,081 | \$ 4,494,055 | \$ 14,496,136 | \$ 11,327,707 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Liens - user charges..... | 28,752 | 18,568 | 47,320 | - |
| User charges..... | 3,412,469 | 1,762,367 | 5,174,836 | - |
| Departmental and other..... | - | - | - | 1,497,572 |
| Special assessments..... | - | 572,541 | 572,541 | - |
| Total current assets..... | <u>13,443,302</u> | <u>6,847,531</u> | <u>20,290,833</u> | <u>12,825,279</u> |
| NONCURRENT: | | | | |
| Receivables, net of allowance for uncollectibles: | | | | |
| Special assessments..... | - | 3,506,147 | 3,506,147 | - |
| Capital assets, non depreciable..... | 979,202 | 1,171,886 | 2,151,088 | - |
| Capital assets, net of accumulated depreciation..... | <u>40,291,580</u> | <u>30,947,636</u> | <u>71,239,216</u> | <u>-</u> |
| Total noncurrent assets..... | <u>41,270,782</u> | <u>35,625,669</u> | <u>76,896,451</u> | <u>-</u> |
| TOTAL ASSETS..... | <u>54,714,084</u> | <u>42,473,200</u> | <u>97,187,284</u> | <u>12,825,279</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred loss on refunding..... | 12,634 | 44,167 | 56,801 | - |
| Deferred outflows related to pensions..... | 679,412 | 55,929 | 735,341 | - |
| Deferred outflows related to other postemployment benefits..... | <u>309,737</u> | <u>60,779</u> | <u>370,516</u> | <u>-</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>1,001,783</u> | <u>160,875</u> | <u>1,162,658</u> | <u>-</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable..... | 239,923 | 26,581 | 266,504 | 181,417 |
| Accrued payroll..... | 45,480 | 6,367 | 51,847 | - |
| Health claims payable..... | - | - | - | 1,825,000 |
| Due to other governments..... | 87,213 | - | 87,213 | - |
| Liabilities due depositors..... | - | 10,396 | 10,396 | - |
| Accrued interest..... | 178,457 | 77,430 | 255,887 | - |
| Other liabilities..... | - | - | - | 437,284 |
| Compensated absences..... | 167,000 | 18,000 | 185,000 | - |
| Workers' compensation..... | - | - | - | 32,000 |
| Notes payable..... | - | 355,000 | 355,000 | - |
| Bonds payable..... | <u>2,106,660</u> | <u>1,958,156</u> | <u>4,064,816</u> | <u>-</u> |
| Total current liabilities..... | <u>2,824,733</u> | <u>2,451,930</u> | <u>5,276,663</u> | <u>2,475,701</u> |
| NONCURRENT: | | | | |
| Due to other governments..... | 543,362 | - | 543,362 | - |
| Compensated absences..... | 215,000 | 4,000 | 219,000 | - |
| Workers' compensation..... | - | - | - | 291,000 |
| Net pension liability..... | 5,736,567 | 824,103 | 6,560,670 | - |
| Net other postemployment benefits liability..... | 6,207,948 | 1,218,163 | 7,426,111 | - |
| Bonds payable..... | <u>18,570,247</u> | <u>8,138,478</u> | <u>26,708,725</u> | <u>-</u> |
| Total noncurrent liabilities..... | <u>31,273,124</u> | <u>10,184,744</u> | <u>41,457,868</u> | <u>291,000</u> |
| TOTAL LIABILITIES..... | <u>34,097,857</u> | <u>12,636,674</u> | <u>46,734,531</u> | <u>2,766,701</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows related to pensions..... | 467,869 | 189,911 | 657,780 | - |
| Deferred inflows related to other postemployment benefits..... | <u>1,562,791</u> | <u>342,344</u> | <u>1,905,135</u> | <u>-</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>2,030,660</u> | <u>532,255</u> | <u>2,562,915</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets..... | 23,108,563 | 23,132,171 | 46,240,734 | - |
| Unrestricted..... | <u>(3,521,213)</u> | <u>6,332,975</u> | <u>2,811,762</u> | <u>10,058,578</u> |
| TOTAL NET POSITION..... | <u>\$ 19,587,350</u> | <u>\$ 29,465,146</u> | <u>\$ 49,052,496</u> | <u>\$ 10,058,578</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental Activities - Internal Service Fund |
|---|--|-----------------------------|-----------------------------|--|
| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> | |
| OPERATING REVENUES: | | | | |
| Employee contributions..... | \$ - | \$ - | \$ - | \$ 7,876,200 |
| Employer contributions..... | - | - | - | 21,679,862 |
| Charges for services..... | <u>9,620,855</u> | <u>4,859,591</u> | <u>14,480,446</u> | <u>-</u> |
| TOTAL OPERATING REVENUES | <u>9,620,855</u> | <u>4,859,591</u> | <u>14,480,446</u> | <u>29,556,062</u> |
| OPERATING EXPENSES: | | | | |
| Cost of services and administration..... | 2,830,588 | 2,366,304 | 5,196,892 | - |
| Salaries and wages..... | 2,934,300 | 660,706 | 3,595,006 | - |
| Property and liability insurance..... | - | - | - | 9,233 |
| Depreciation..... | 2,419,679 | 1,158,868 | 3,578,547 | - |
| Employee benefits..... | <u>1,472,805</u> | <u>108,111</u> | <u>1,580,916</u> | <u>25,211,992</u> |
| TOTAL OPERATING EXPENSES..... | <u>9,657,372</u> | <u>4,293,989</u> | <u>13,951,361</u> | <u>25,221,225</u> |
| OPERATING INCOME..... | <u>(36,517)</u> | <u>565,602</u> | <u>529,085</u> | <u>4,334,837</u> |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income..... | 68,379 | 43,564 | 111,943 | 73,114 |
| Interest expense..... | <u>(601,743)</u> | <u>(332,092)</u> | <u>(933,835)</u> | <u>-</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | <u>(533,364)</u> | <u>(288,528)</u> | <u>(821,892)</u> | <u>73,114</u> |
| CHANGE IN NET POSITION..... | (569,881) | 277,074 | (292,807) | 4,407,951 |
| NET POSITION AT BEGINNING OF YEAR... | <u>20,157,231</u> | <u>29,188,072</u> | <u>49,345,303</u> | <u>5,650,627</u> |
| NET POSITION AT END OF YEAR..... | <u>\$ 19,587,350</u> | <u>\$ 29,465,146</u> | <u>\$ 49,052,496</u> | <u>\$ 10,058,578</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|---|---------------------|----------------------|--|
| | Water | Sewer | Total | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | |
| Receipts from customers and users..... | \$ 9,112,035 | \$ 4,428,758 | \$ 13,540,793 | \$ 7,876,200 |
| Receipts from interfund services provided..... | - | - | - | 20,424,749 |
| Payments to vendors..... | (2,872,718) | (2,393,934) | (5,266,652) | (9,233) |
| Payments to employees..... | (2,886,855) | (649,653) | (3,536,508) | - |
| Payments for interfund services used..... | (1,026,729) | (141,842) | (1,168,571) | (25,717,085) |
| NET CASH FROM OPERATING ACTIVITIES..... | 2,325,733 | 1,243,329 | 3,569,062 | 2,574,631 |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | |
| Proceeds from the issuance of bonds and notes..... | 6,097,000 | 355,000 | 6,452,000 | - |
| Premium from the issuance of bonds..... | 502,999 | - | 502,999 | - |
| Acquisition and construction of capital assets..... | (5,061,064) | (905,463) | (5,966,527) | - |
| Principal payments on bonds and notes..... | (3,750,819) | (1,935,000) | (5,685,819) | - |
| Interest expense..... | (629,788) | (371,726) | (1,001,514) | - |
| Special assessments..... | - | 561,285 | 561,285 | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (2,841,672) | (2,295,904) | (5,137,576) | - |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | |
| Investment income..... | 68,379 | 43,564 | 111,943 | 73,114 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (447,560) | (1,009,011) | (1,456,571) | 2,647,745 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 10,449,641 | 5,503,066 | 15,952,707 | 8,679,962 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 10,002,081 | \$ 4,494,055 | \$ 14,496,136 | \$ 11,327,707 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> | | | | |
| <u>FROM OPERATING ACTIVITIES:</u> | | | | |
| Operating income (loss)..... | \$ (36,517) | \$ 565,602 | \$ 529,085 | \$ 4,334,837 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | |
| Depreciation..... | 2,419,679 | 1,158,868 | 3,578,547 | - |
| Deferred (outflows)/inflows related to pensions..... | 762,940 | 69,732 | 832,672 | - |
| Deferred (outflows)/inflows related to other postemployment benefits..... | 1,079,629 | 243,958 | 1,323,587 | - |
| Due to other governments..... | (92,605) | - | (92,605) | - |
| Changes in assets and liabilities: | | | | |
| Liens - user charges..... | (1,631) | 758 | (873) | - |
| User charges..... | (507,189) | (431,748) | (938,937) | - |
| Departmental and other..... | - | - | - | (1,255,113) |
| Warrants payable..... | 50,475 | (27,630) | 22,845 | (486,495) |
| Accrued payroll..... | 5,445 | 2,053 | 7,498 | - |
| Health claims payable..... | - | - | - | (87,000) |
| Liabilities due depositors..... | - | 157 | 157 | - |
| Other liabilities..... | - | - | - | (155,598) |
| Compensated absences..... | 42,000 | 9,000 | 51,000 | - |
| Workers' compensation..... | - | - | - | 224,000 |
| Net pension liability..... | (282,130) | (87,901) | (370,031) | - |
| Net other postemployment benefits..... | (1,114,363) | (259,520) | (1,373,883) | - |
| Total adjustments..... | 2,362,250 | 677,727 | 3,039,977 | (1,760,206) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 2,325,733 | \$ 1,243,329 | \$ 3,569,062 | \$ 2,574,631 |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | | | |
| Change in the deferred loss on debt refunding..... | \$ (7,814) | \$ (26,987) | \$ (34,801) | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

| | Pension and Other Employee Benefit Trust Funds (1) | Private Purpose Trust Funds | Agency Funds |
|--|---|-----------------------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 786,803 | \$ 342,399 | \$ 1,131,175 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 132,587,931 | - | - |
| U.S. treasuries..... | - | 1,631,962 | - |
| Government sponsored enterprises..... | - | 60,177 | - |
| Corporate bonds..... | - | 302,100 | - |
| Equity securities..... | - | 324,753 | - |
| Mutual funds..... | 43,859,166 | - | - |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | 4,153 | - | - |
| TOTAL ASSETS..... | 177,238,053 | 2,661,391 | 1,131,175 |
| LIABILITIES | | | |
| Warrants payable..... | 23,978 | - | - |
| Liabilities due depositors..... | - | - | 1,131,175 |
| TOTAL LIABILITIES..... | 23,978 | - | 1,131,175 |
| NET POSITION | | | |
| Restricted for pensions..... | 162,235,822 | - | - |
| Restricted for other postemployment benefits..... | 14,978,253 | - | - |
| Held in trust for other purposes..... | - | 2,661,391 | - |
| TOTAL NET POSITION..... | \$ 177,214,075 | \$ 2,661,391 | \$ - |

See notes to basic financial statements.

(1) Pension as of December 31, 2019.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

| | Pension and Other Employee Benefit Trust Funds (1) | Private Purpose Trust Funds |
|---|---|-----------------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer contributions..... | \$ 13,489,147 | \$ - |
| Employer contributions for other postemployment benefit payments... | 4,517,623 | - |
| Member contributions..... | 4,148,777 | - |
| Transfers from other systems..... | 982,922 | - |
| State COLA reimbursements..... | 67,493 | - |
| Private donations..... | - | 915,659 |
| Intergovernmental..... | 11,433 | - |
| Total contributions..... | 23,217,395 | 915,659 |
| Net investment income: | | |
| Investment income..... | 26,032,925 | 86,266 |
| Less: investment expense..... | (590,539) | - |
| Net investment income..... | 25,442,386 | 86,266 |
| TOTAL ADDITIONS..... | 48,659,781 | 1,001,925 |
| DEDUCTIONS: | | |
| Administration..... | 286,739 | - |
| Transfers to other systems..... | 1,100,714 | - |
| Retirement benefits and refunds..... | 15,627,553 | - |
| Other postemployment benefit payments..... | 4,517,623 | - |
| Educational scholarships..... | - | 120,643 |
| TOTAL DEDUCTIONS..... | 21,532,629 | 120,643 |
| NET INCREASE (DECREASE) IN NET POSITION..... | 27,127,152 | 881,282 |
| NET POSITION AT BEGINNING OF YEAR..... | 150,086,923 | 1,780,109 |
| NET POSITION AT END OF YEAR..... | \$ 177,214,075 | \$ 2,661,391 |

See notes to basic financial statements.

(1) Pension as of December 31, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Andover, Massachusetts (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 Select Board (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.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a fiduciary fund of the primary government due to the nature and significance of the relationship between the Town and the component unit.

The Andover Contributory Retirement System was established to provide retirement benefits to Town employees, the Andover 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.

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.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated and governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Greater Lawrence Sanitary District (GLSD)

GLSD operates a wastewater treatment plant for five member communities, one of which is the Town. The GLSD is governed by a seven-member board consisting of one appointed representative from the Town. The Town is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2020, the Town's assessment totaled \$2,013,197. The Town does not have an equity interest in the District. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

Greater Lawrence Technical School (GLTS)

The Town is a member of the GLTS that serves the members students seeking an education in academic, technical and agriculture studies. The GLTS is governed by a seven-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the GLTS' debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town does not have an equity interest in the GLTS. For the year ended June 30, 2020, the Town's assessment totaled \$547,960. Separate financial statements may be obtained by writing to the Treasurer of the GLTS at 57 River Road, Andover, MA 01810.

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

The government-wide financial statements (i.e., statement of net position and statement of activities) 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 total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after 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, and the amount is received during the period or within the availability period for this revenue source.

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 *highway construction* fund is used to account for roadway improvements funded through the Massachusetts Department of Transportation.

As a result of the gas disaster that occurred in September 2018 (further described in Note 15), the Town established funds to account for activity directly associated with the event as well as restoration efforts and legal settlements. The funds are used to account for the following:

- The *gas disaster paving restoration fund* is used to account for the settlement revenue Columbia Gas was ordered to pay the Town for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the disaster.
- The *gas disaster mitigation fund* is used to account for the mitigation fees received by the Town.
- The *gas disaster reimbursement fund* is used to account for direct costs incurred at the time of the disaster, which have been submitted to Columbia Gas for reimbursement.

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 fund financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report 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, except for agency funds which have no measurement focus. 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 and other postemployment benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment 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 allow 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.

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. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level

hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. 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 1st 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 1st, November 1st, February 1st and May 1st 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 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 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 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 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 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 details, fire details and ambulance receivables and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of sewer betterments levied on properties that have benefited by capital improvements to the Town's sewer system. The sewer betterment assessment is a one-time tax that can be paid in one lump sum or apportioned up to a maximum of twenty (20) years and is primarily designed to pay back all or a portion of the debt service associated with the sewer project.

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.

G. 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.

H. 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; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. 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 \$25,000 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 year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred charges on refunding, as well as deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has reported unavailable revenues from real estate and personal property tax receivables, tax lien receivables, motor vehicle and other excise tax receivables, departmental receivables, intergovernmental receivables, and tax foreclosures in this category.

J. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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.

K. 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 position. 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.

L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

“Debt service” represents the amount accumulated for the future payment of general obligation bond principal and interest.

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority for the government that can, by adoption of an article, which constitutes

the most binding restraint, prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the article remains in place until a similar action is taken to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

N. 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 position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported gross of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Andover Contributory Retirement System and the Massachusetts Teachers’ Retirement System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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).

Proprietary funds retain their investment income.

Q. 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. Compensated absences are reported in governmental funds only if they have matured.

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.

R. Fund Deficits

Individual deficits exist at June 30, 2020, within the capital project funds and the worker's compensation fund. These deficits will be funded with bond proceeds and available funds in subsequent years.

S. 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 year. Actual results could vary from estimates that were used.

T. 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 (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 no 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 year-end, the carrying amount of deposits totaled \$90,652,252 and the bank balance totaled \$93,892,295. Of the bank balance, \$2,731,435 was covered by Federal Depository Insurance, \$16,656,901 was covered by Depositors Insurance Fund, and \$74,503,959 was collateralized.

At December 31, 2019, the carrying amount of deposits for the Retirement System totaled \$335,171 and the bank balance totaled \$451,516. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2020, the Town of Andover had the following investments:

| Investment Type | Fair value | Maturities | | |
|---------------------------------------|----------------------|---------------------|-------------------|------------------|
| | | Under 1 Year | 1-5 Years | 6-10 Years |
| <u>Debt securities:</u> | | | | |
| U.S. government agencies..... | \$ 7,122,163 | \$ 7,087,131 | \$ 35,032 | \$ - |
| Government sponsored enterprises..... | 60,177 | - | 50,161 | 10,016 |
| Corporate bonds..... | 322,428 | 76,292 | 246,136 | - |
| Total debt securities..... | 7,504,768 | <u>\$ 7,163,423</u> | <u>\$ 331,329</u> | <u>\$ 10,016</u> |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 535,399 | | | |
| Equity mutual funds..... | 1,250,856 | | | |
| Mutual funds..... | 14,978,253 | | | |
| Money market mutual funds..... | 2,614,266 | | | |
| MMDT..... | 6,068,238 | | | |
| Total investments..... | <u>\$ 32,951,780</u> | | | |

As of December 31, 2019, the Retirement System had \$132,587,931 invested in PRIT, \$28,880,913 invested in equity mutual funds and \$451,632 invested in the PRIT cash fund.

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 \$7,122,163 in government agencies, \$60,177 in government sponsored enterprises, \$322,428 in corporate bonds, and \$535,399 in equity securities, the Town has custodial credit risk exposure of \$8,040,167 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.

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 .14 to 16.03 years.

Credit Risk

The Town’s investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. As of June 30, 2020, Standard & Poor’s Investors Service rated the Town’s investments as follows:

| <u>Quality Rating</u> | <u>Government Sponsored Enterprises</u> | <u>Corporate Bonds</u> |
|-----------------------|---|----------------------------|
| AAA..... | \$ - | \$ 25,192 |
| AA+..... | 60,177 | - |
| A-..... | - | 126,454 |
| BBB+..... | - | 170,782 |
| Total..... | \$ 60,177 | \$ 322,428 |

The Town’s investments in MMDT shares and money market mutual funds were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$132,587,931 of PRIT shares were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town’s investment in a single issuer. 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. As of June 30, 2020, 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.

Fair Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town’s mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2020:

| Investment Type | June 30, 2020 | Fair Value Measurements Using | | |
|--|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. government agencies..... | \$ 7,122,163 | \$ 7,122,163 | \$ - | \$ - |
| Government sponsored enterprises..... | 60,177 | 60,177 | - | - |
| Corporate bonds..... | 322,428 | - | 322,428 | - |
| Total debt securities..... | 7,504,768 | 7,182,340 | 322,428 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 535,399 | 535,399 | - | - |
| Equity mutual funds..... | 1,250,856 | 1,250,856 | - | - |
| Mutual funds..... | 14,978,253 | 14,978,253 | - | - |
| Money market mutual funds..... | 2,614,266 | 2,614,266 | - | - |
| Total other investments..... | 19,378,774 | 19,378,774 | - | - |
| Total investments measured at fair value..... | 26,883,542 | \$ 26,561,114 | \$ 322,428 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT..... | 6,068,238 | | | |
| Total investments..... | \$ 32,951,780 | | | |

U.S. government agencies, government sponsored enterprises, money market mutual funds, equity securities, equity mutual funds, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Retirement System

As of December 31, 2019, the System had \$28,880,913 invested in equity mutual funds. Equity mutual funds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

As of December 31, 2019, the System had \$132,587,931 invested in PRIT and \$451,632 in the PRIT cash fund. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are

the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2020, 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..... | \$ 2,197,660 | \$ - | \$ 2,197,660 |
| Tax liens..... | 2,593,869 | - | 2,593,869 |
| Motor vehicle and other excise taxes..... | 866,608 | (360,660) | 505,948 |
| Departmental and other..... | 2,225,998 | (64,026) | 2,161,972 |
| Intergovernmental..... | 3,971,914 | - | 3,971,914 |
| Total..... | <u>\$ 11,856,049</u> | <u>\$ (424,686)</u> | <u>\$ 11,431,363</u> |

At June 30, 2020, receivables for the water and sewer enterprise consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---------------------------------|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Water user charges..... | \$ 3,412,469 | \$ - | \$ 3,412,469 |
| Sewer user charges..... | 1,762,367 | - | 1,762,367 |
| Water liens - user charges..... | 28,752 | - | 28,752 |
| Sewer liens - user charges..... | 18,568 | - | 18,568 |
| Sewer special assessments..... | 4,078,688 | - | 4,078,688 |
| Total..... | <u>\$ 9,300,844</u> | <u>\$ -</u> | <u>\$ 9,300,844</u> |

Governmental funds report *unavailable revenues* 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 year, the various components of *unavailable revenues* reported in the governmental funds were as follows:

| | General Fund | Other Governmental Funds | Total |
|--|---------------------|--------------------------------|---------------------|
| <u>Receivables and other asset type:</u> | | | |
| Real estate and personal property taxes..... | \$ 1,540,949 | \$ - | \$ 1,540,949 |
| Tax liens..... | 2,593,869 | - | 2,593,869 |
| Motor vehicle and other excise taxes..... | 505,948 | - | 505,948 |
| Departmental and other..... | 602,439 | 57,154 | 659,593 |
| Tax foreclosures..... | 259,092 | - | 259,092 |
| Intergovernmental..... | - | 3,121,107 | 3,121,107 |
| Total..... | <u>\$ 5,502,297</u> | <u>\$ 3,178,261</u> | <u>\$ 8,680,558</u> |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 33,385,745 | \$ - | \$ - | \$ 33,385,745 |
| Construction in progress..... | 1,498,520 | 5,720,634 | (1,090,197) | 6,128,957 |
| Total capital assets not being depreciated.... | <u>34,884,265</u> | <u>5,720,634</u> | <u>(1,090,197)</u> | <u>39,514,702</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings, building and land improvements..... | 247,933,978 | 1,932,547 | (140,353) | 249,726,172 |
| Machinery and equipment..... | 16,050,726 | 920,542 | - | 16,971,268 |
| Infrastructure..... | 48,662,408 | 2,410,140 | (1,390,295) | 49,682,253 |
| Vehicles..... | 9,247,023 | 2,392,971 | (297,368) | 11,342,626 |
| Library books..... | 7,138,768 | - | - | 7,138,768 |
| Total capital assets being depreciated..... | <u>329,032,903</u> | <u>7,656,200</u> | <u>(1,828,016)</u> | <u>334,861,087</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings, building and land improvements..... | (113,355,973) | (6,302,461) | 140,353 | (119,518,081) |
| Machinery and equipment..... | (11,587,364) | (870,865) | - | (12,458,229) |
| Infrastructure..... | (28,490,960) | (1,281,764) | 1,390,295 | (28,382,429) |
| Vehicles..... | (6,271,093) | (756,937) | 297,368 | (6,730,662) |
| Library books..... | (6,730,316) | (146,515) | - | (6,876,831) |
| Total accumulated depreciation..... | <u>(166,435,706)</u> | <u>(9,358,542)</u> | <u>1,828,016</u> | <u>(173,966,232)</u> |
| Total capital assets being depreciated, net..... | <u>162,597,197</u> | <u>(1,702,342)</u> | <u>-</u> | <u>160,894,855</u> |
| Total governmental activities capital assets, net..... | <u>\$ 197,481,462</u> | <u>\$ 4,018,292</u> | <u>\$ (1,090,197)</u> | <u>\$ 200,409,557</u> |
| Water: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 266,017 | \$ - | \$ - | \$ 266,017 |
| Construction in progress..... | 1,141,840 | 323,058 | (751,713) | 713,185 |
| Total capital assets not being depreciated.... | <u>1,407,857</u> | <u>323,058</u> | <u>(751,713)</u> | <u>979,202</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings, building and land improvements..... | 2,250,111 | 42,379 | - | 2,292,490 |
| Machinery and equipment..... | 3,570,859 | 207,940 | - | 3,778,799 |
| Infrastructure..... | 92,123,377 | 5,039,546 | - | 97,162,923 |
| Vehicles..... | 434,171 | 199,854 | - | 634,025 |
| Total capital assets being depreciated..... | <u>98,378,518</u> | <u>5,489,719</u> | <u>-</u> | <u>103,868,237</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings, building and land improvements..... | (434,253) | (98,989) | - | (533,242) |
| Machinery and equipment..... | (1,662,555) | (174,616) | - | (1,837,171) |
| Infrastructure..... | (58,743,628) | (2,074,994) | - | (60,818,622) |
| Vehicles..... | (316,542) | (71,080) | - | (387,622) |
| Total accumulated depreciation..... | <u>(61,156,978)</u> | <u>(2,419,679)</u> | <u>-</u> | <u>(63,576,657)</u> |
| Total capital assets being depreciated, net..... | <u>37,221,540</u> | <u>3,070,040</u> | <u>-</u> | <u>40,291,580</u> |
| Total water activities capital assets, net..... | <u>\$ 38,629,397</u> | <u>\$ 3,393,098</u> | <u>\$ (751,713)</u> | <u>\$ 41,270,782</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|----------------------|
| Sewer: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 115,130 | \$ - | \$ - | \$ 115,130 |
| Construction in progress..... | 151,293 | 905,463 | - | 1,056,756 |
| Total capital assets not being depreciated.... | <u>266,423</u> | <u>905,463</u> | <u>-</u> | <u>1,171,886</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and building improvements..... | 1,321,820 | - | - | 1,321,820 |
| Machinery and equipment..... | 1,186,123 | - | - | 1,186,123 |
| Infrastructure..... | 53,240,545 | - | - | 53,240,545 |
| Vehicles..... | 353,163 | - | - | 353,163 |
| Total capital assets being depreciated..... | <u>56,101,651</u> | <u>-</u> | <u>-</u> | <u>56,101,651</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and building improvements..... | (1,227,252) | (32,030) | - | (1,259,282) |
| Machinery and equipment..... | (611,926) | (44,709) | - | (656,635) |
| Infrastructure..... | (21,894,599) | (1,053,221) | - | (22,947,820) |
| Vehicles..... | (261,370) | (28,908) | - | (290,278) |
| Total accumulated depreciation..... | <u>(23,995,147)</u> | <u>(1,158,868)</u> | <u>-</u> | <u>(25,154,015)</u> |
| Total capital assets being depreciated, net..... | <u>32,106,504</u> | <u>(1,158,868)</u> | <u>-</u> | <u>30,947,636</u> |
| Total sewer activities capital assets, net..... | <u>\$ 32,372,927</u> | <u>\$ (253,405)</u> | <u>\$ -</u> | <u>\$ 32,119,522</u> |

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

Governmental Activities:

| | |
|---|---------------------|
| General government..... | \$ 573,051 |
| Public safety..... | 945,637 |
| Education..... | 4,498,964 |
| Public works..... | 1,702,034 |
| Public facilities..... | 1,146,674 |
| Community services..... | 277,738 |
| Library..... | 214,444 |
| Total depreciation expense - governmental activities..... | <u>\$ 9,358,542</u> |

Business-Type Activities:

| | |
|--|---------------------|
| Water..... | \$ 2,419,679 |
| Sewer..... | 1,158,868 |
| Total depreciation expense - business-type activities..... | <u>\$ 3,578,547</u> |

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2020, the Town had an interfund receivable/payable of \$52,896 between the general fund and highway construction, and \$92,357 between the general fund and COVID-19 funds to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

| Transfers Out: | Transfers In: | | |
|--------------------------------------|---------------|-----------------------------|------------------|
| | General fund | Nonmajor governmental funds | Total |
| General fund..... | \$ - | \$ 3,963,698 | \$ 3,963,698 (1) |
| Gas disaster mitigation fund..... | - | 700,000 | 700,000 (2) |
| Gas disaster reimbursement fund..... | - | 645,765 | 645,765 (3) |
| Nonmajor governmental funds..... | 405,405 | 372,870 | 778,275 (4) |
| Total..... | \$ 405,405 | \$ 5,682,333 | \$ 6,087,738 |

- (1) Transfers from the general fund to capital project funds for current year capital articles.
- (2) Transfer from the gas disaster mitigation fund to a capital project fund for renovations to the senior center.
- (3) Transfer from the gas disaster reimbursement fund to the gas disaster reserve fund for capital outlay.
- (4) Transfers to the general fund from other available funds as well as transfers between nonmajor funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement as lessee for financing street lights. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date.

| Asset: | Governmental Activities |
|-----------------------------------|-------------------------|
| Machinery and equipment..... | \$ 432,672 |
| Less: accumulated depreciation... | (129,802) |
| Total..... | \$ 302,870 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

| Years ending June 30: | Governmental Activities |
|--|-------------------------|
| 2021..... | \$ 46,602 |
| Less: amounts representing interest..... | (471) |
| Present value of minimum lease payments... | \$ 46,131 |

NOTE 7 – 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 year ended June 30, 2020, is as follows:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2019 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2020 |
|-------------------------------|-----------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| Governmental Funds: | | | | | | | |
| BAN | Bond anticipation note..... | 2.50% | 12/19/19 | \$ 620,000 | \$ - | \$ (620,000) | \$ - |
| BAN | Municipal Purpose..... | 1.15% | 12/18/20 | - | 3,061,000 | - | 3,061,000 |
| Total Governmental Funds..... | | | | \$ 620,000 | \$ 3,061,000 | \$ (620,000) | \$ 3,061,000 |
| Enterprise Funds: | | | | | | | |
| <i>Water Enterprise Fund</i> | | | | | | | |
| BAN | Bond anticipation note..... | 2.50% | 12/19/19 | \$ 2,100,000 | \$ - | \$ (2,100,000) | \$ - |
| <i>Sewer Enterprise Fund</i> | | | | | | | |
| BAN | Bond anticipation note..... | 1.15% | 12/18/20 | - | 355,000 | - | 355,000 |
| Total Enterprise Funds..... | | | | \$ 2,100,000 | \$ 355,000 | \$ (2,100,000) | \$ 355,000 |

NOTE 8 - 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".

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|---|--------------------|----------------------|-------------------|------------------------------|
| General obligation bonds: | | | | |
| Public safety..... | 2039 | \$ 9,365,300 | 2.00 - 5.00 | \$ 2,739,000 (1) |
| School projects..... | 2039 | 67,938,900 | 2.00 - 5.00 | 40,430,500 (1) |
| Municipal services..... | 2049 | 41,426,350 | 2.00 - 5.00 | 27,747,700 (2) |
| Land acquisition..... | 2050 | 9,062,100 | 3.00 - 5.00 | 5,010,251 (1) |
| Culture and recreation..... | 2050 | 3,598,650 | 2.00 - 5.00 | 2,550,000 (1) |
| Subtotal general obligation bonds..... | | | | <u>78,477,451</u> |
| From direct borrowings and placements: | | | | |
| Municipal services..... | 2036 | 675,000 | 2.00 | 562,170 (1) |
| Add: Unamortized premium on bonds..... | | | | <u>3,375,464</u> |
| Total Bonds Payable, net..... | | | | <u>\$ 82,415,085</u> |

- (1) Debt issued to finance Town capital expenditures.
- (2) Debt issued to finance Town capital expenditures with the exception of \$1.9 million for landfill closure.

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

| Year | General Obligation Bonds | | | From Direct Borrowings and Placements | | | Grand Total |
|-----------------|--------------------------|----------------------|-----------------------|---------------------------------------|------------------|-------------------|-----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2021..... | \$ 7,013,000 | \$ 2,980,796 | \$ 9,993,796 | \$ 29,757 | \$ 10,604 | \$ 40,361 | \$ 10,034,157 |
| 2022..... | 6,600,200 | 2,650,694 | 9,250,894 | 30,403 | 9,998 | 40,401 | 9,291,295 |
| 2023..... | 5,970,000 | 2,379,796 | 8,349,796 | 31,064 | 9,378 | 40,442 | 8,390,238 |
| 2024..... | 5,555,000 | 2,129,740 | 7,684,740 | 31,739 | 8,746 | 40,485 | 7,725,225 |
| 2025..... | 5,475,251 | 1,884,626 | 7,359,877 | 32,429 | 8,098 | 40,527 | 7,400,404 |
| 2026..... | 5,250,000 | 1,642,322 | 6,892,322 | 33,134 | 7,438 | 40,572 | 6,932,894 |
| 2027..... | 4,974,000 | 1,441,950 | 6,415,950 | 33,854 | 6,764 | 40,618 | 6,456,568 |
| 2028..... | 4,595,000 | 1,260,675 | 5,855,675 | 34,590 | 6,074 | 40,664 | 5,896,339 |
| 2029..... | 4,035,000 | 1,108,215 | 5,143,215 | 35,341 | 5,370 | 40,711 | 5,183,926 |
| 2030..... | 3,670,000 | 973,005 | 4,643,005 | 36,110 | 4,652 | 40,762 | 4,683,767 |
| 2031..... | 3,335,000 | 851,854 | 4,186,854 | 36,894 | 3,916 | 40,810 | 4,227,664 |
| 2032..... | 3,180,000 | 744,113 | 3,924,113 | 37,696 | 3,166 | 40,862 | 3,964,975 |
| 2033..... | 2,925,000 | 644,676 | 3,569,676 | 38,516 | 2,400 | 40,916 | 3,610,592 |
| 2034..... | 2,185,000 | 543,416 | 2,728,416 | 39,353 | 1,616 | 40,969 | 2,769,385 |
| 2035..... | 985,000 | 464,649 | 1,449,649 | 40,208 | 409 | 40,617 | 1,490,266 |
| 2036..... | 930,000 | 430,613 | 1,360,613 | 41,082 | 409 | 41,491 | 1,402,104 |
| 2037..... | 955,000 | 398,916 | 1,353,916 | - | - | - | 1,353,916 |
| 2038..... | 925,000 | 366,223 | 1,291,223 | - | - | - | 1,291,223 |
| 2039..... | 865,000 | 334,944 | 1,199,944 | - | - | - | 1,199,944 |
| 2040 - 2050.... | 9,055,000 | 1,605,190 | 10,660,190 | - | - | - | 10,660,190 |
| Total..... | <u>\$ 78,477,451</u> | <u>\$ 24,836,409</u> | <u>\$ 103,313,860</u> | <u>\$ 562,170</u> | <u>\$ 89,038</u> | <u>\$ 651,208</u> | <u>\$ 103,965,068</u> |

The Town has entered into a contract with the Massachusetts School Building Authority (MSBA) for financial assistance relating to a feasibility study for the West Elementary School, which will reduce the total outlay of Town resources for the study. The Town has been approved for funding totaling \$485,640 and to date has received

capital grant proceeds totaling \$141,953; which is equal to 40.5% of approved costs submitted for reimbursement. The Town has recorded a receivable totaling \$104,399 for reimbursements that were not received by year-end.

Bonds Payable Schedule – Enterprise Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|--|--------------------|----------------------|-------------------|------------------------------|
| General obligation bonds: | | | | |
| Sewer projects..... | 2033 | \$ 26,900,550 | 1.30 - 5.00 | \$ 10,005,350 (1) |
| Water projects..... | 2040 | 28,635,502 | 2.00 - 5.00 | 17,532,200 (1) |
| Subtotal general obligation bonds..... | | | | 27,537,550 |
| From direct borrowing and placements: | | | | |
| Water projects | 2029 | 5,301,352 | 2.00 | 2,168,448 (1) |
| Add: Unamortized premium on bonds..... | | | | 1,067,543 |
| Total Bonds Payable, net..... | | | | \$ 30,773,541 |

(1) Debt issued to finance Town capital expenditures.

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

| Year | General Obligation Bonds | | | From Direct Borrowings and Placements | | | Total |
|------------|--------------------------|--------------|---------------|---------------------------------------|------------|--------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2021..... | \$ 3,592,000 | \$ 1,055,827 | \$ 4,647,827 | \$ 281,391 | \$ 40,555 | \$ 321,946 | \$ 4,969,773 |
| 2022..... | 3,499,800 | 847,821 | 4,347,621 | 287,076 | 34,870 | 321,946 | 4,669,567 |
| 2023..... | 3,005,000 | 723,266 | 3,728,266 | 292,876 | 29,071 | 321,947 | 4,050,213 |
| 2024..... | 2,760,000 | 614,581 | 3,374,581 | 298,792 | 23,155 | 321,947 | 3,696,528 |
| 2025..... | 2,219,750 | 513,346 | 2,733,096 | 304,829 | 17,118 | 321,947 | 3,055,043 |
| 2026..... | 1,885,000 | 421,947 | 2,306,947 | 310,987 | 10,960 | 321,947 | 2,628,894 |
| 2027..... | 1,881,000 | 341,049 | 2,222,049 | 317,268 | 4,677 | 321,945 | 2,543,994 |
| 2028..... | 1,415,000 | 271,247 | 1,686,247 | 37,238 | 1,132 | 38,370 | 1,724,617 |
| 2029..... | 1,015,000 | 221,473 | 1,236,473 | 37,991 | 380 | 38,371 | 1,274,844 |
| 2030..... | 860,000 | 182,103 | 1,042,103 | - | - | - | 1,042,103 |
| 2031..... | 860,000 | 151,053 | 1,011,053 | - | - | - | 1,011,053 |
| 2032..... | 835,000 | 123,599 | 958,599 | - | - | - | 958,599 |
| 2033..... | 815,000 | 99,949 | 914,949 | - | - | - | 914,949 |
| 2034..... | 570,000 | 78,198 | 648,198 | - | - | - | 648,198 |
| 2035..... | 405,000 | 61,326 | 466,326 | - | - | - | 466,326 |
| 2036..... | 405,000 | 50,272 | 455,272 | - | - | - | 455,272 |
| 2037..... | 405,000 | 38,647 | 443,647 | - | - | - | 443,647 |
| 2038..... | 405,000 | 26,641 | 431,641 | - | - | - | 431,641 |
| 2039..... | 405,000 | 14,448 | 419,448 | - | - | - | 419,448 |
| 2040..... | 300,000 | 4,127 | 304,127 | - | - | - | 304,127 |
| Total..... | \$ 27,537,550 | \$ 5,840,921 | \$ 33,378,471 | \$ 2,168,448 | \$ 161,918 | \$ 2,330,366 | \$ 35,708,837 |

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, 2020, the Town had the following authorized and unissued debt:

| Purpose | Amount |
|-----------------------------------|----------------------|
| Land acquisition..... | \$ 1,200,000 |
| Landfill..... | 6,695,000 |
| Technology..... | 200,000 |
| Public works..... | 1,170,000 |
| Other miscellaneous projects..... | 1,580,000 |
| Town building and remodeling..... | 8,270,000 |
| Sewer projects..... | 2,550,000 |
| Water projects..... | 9,000,000 |
| Total..... | \$ 30,665,000 |

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|--|-----------------------|------------------------------|--------------------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 80,589,451 | \$ 4,873,000 | \$ (6,985,000) | \$ - | \$ - | \$ 78,477,451 | \$ 7,013,000 |
| Add: Unamortized premium on bonds.. | 3,708,484 | 347,824 | (680,844) | - | - | 3,375,464 | 556,724 |
| From direct borrowings and placements... | 591,294 | - | (29,124) | - | - | 562,170 | 29,757 |
| Total bonds payable..... | 84,889,229 | 5,220,824 | (7,694,968) | - | - | 82,415,085 | 7,599,481 |
| Capital lease obligations..... | 136,014 | - | - | - | (89,883) | 46,131 | 46,131 |
| Landfill closure..... | 14,140,000 | - | - | 869,000 | (309,000) | 14,700,000 | 308,000 |
| Compensated absences..... | 4,728,000 | - | - | 2,292,000 | (1,768,000) | 5,252,000 | 2,177,000 |
| Workers' compensation..... | 99,000 | - | - | 234,000 | (10,000) | 323,000 | 32,000 |
| Net pension liability..... | 172,360,877 | - | - | 26,406,634 | (42,440,594) | 156,326,917 | - |
| Net other postemployment benefits liability..... | 118,973,806 | - | - | 14,003,846 | (23,272,660) | 109,704,992 | - |
| Total governmental activity long-term liabilities..... | \$ 395,326,926 | \$ 5,220,824 | \$ (7,694,968) | \$ 43,805,480 | \$ (67,890,137) | \$ 368,768,125 | \$ 10,162,612 |
| Business-Type Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 24,750,550 | \$ 6,097,000 | \$ (3,310,000) | \$ - | \$ - | \$ 27,537,550 | \$ 3,592,000 |
| Add: Unamortized premium on bonds.. | 705,099 | 502,999 | (140,555) | - | - | 1,067,543 | 191,425 |
| From direct borrowings and placements... | 2,444,267 | - | (275,819) | - | - | 2,168,448 | 281,391 |
| Total bonds payable..... | 27,899,916 | 6,599,999 | (3,726,374) | - | - | 30,773,541 | 4,064,816 |
| Due to other governments..... | 720,404 | - | - | - | (89,829) | 630,575 | 87,213 |
| Compensated absences..... | 353,000 | - | - | 219,000 | (168,000) | 404,000 | 185,000 |
| Net pension liability..... | 6,930,701 | - | - | 1,374,840 | (1,744,871) | 6,560,670 | - |
| Net other postemployment benefits liability..... | 8,799,994 | - | - | 2,459,208 | (3,833,091) | 7,426,111 | - |
| Total business-type activity long-term liabilities..... | \$ 44,704,015 | \$ 6,599,999 | \$ (3,726,374) | \$ 4,053,048 | \$ (5,835,791) | \$ 45,794,897 | \$ 4,337,029 |

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 and include accrued liabilities totaling \$323,000 for workers' compensation. 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 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The Town's highest level of decision-making authority is Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balance of the general stabilization fund totaled \$6,596,820 and is reported as unassigned fund balance within the General Fund. The Town also has additional stabilization funds for elder services, and debt service which totaled \$13,337 and \$1,120,375, respectively. These stabilization funds have been reported as components of committed fund balance.

As of June 30, 2020, the governmental fund balances consisted of the following:

| | General | Gas Disaster Paving Restoration Fund | Gas Disaster Mitigation Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------|--|------------------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Cemetery..... | \$ - | \$ - | \$ - | \$ 1,266,307 | \$ 1,266,307 |
| Restricted for: | | | | | |
| Gas disaster paving restoration fund.... | - | 12,330,356 | - | - | 12,330,356 |
| Gas disaster mitigation fund..... | - | - | 1,641,615 | - | 1,641,615 |
| School projects..... | - | - | - | 1,606,641 | 1,606,641 |
| Town grants/other revolving..... | - | - | - | 4,175,930 | 4,175,930 |
| School grants/other revolving..... | - | - | - | 4,572,535 | 4,572,535 |
| School lunch..... | - | - | - | 143,671 | 143,671 |
| Road/drainage projects..... | - | - | - | 854,011 | 854,011 |
| Ledge road landfill..... | - | - | - | 1,919,957 | 1,919,957 |
| Conservation..... | - | - | - | 4,153 | 4,153 |
| Municipal buildings..... | - | - | - | 4,937,860 | 4,937,860 |
| Other capital projects..... | - | - | - | 6,756,407 | 6,756,407 |
| Cemetery..... | - | - | - | 467,827 | 467,827 |
| Library..... | - | - | - | 102,145 | 102,145 |
| Town welfare/other..... | - | - | - | 204,834 | 204,834 |
| Debt service..... | 453,580 | - | - | - | 453,580 |
| Committed to: | | | | | |
| Continuing appropriations: | | | | | |
| General government..... | 34,588 | - | - | - | 34,588 |
| Community services..... | 21,120 | - | - | - | 21,120 |
| Elder services stabilization..... | 13,337 | - | - | - | 13,337 |
| Debt service stabilization..... | 1,120,375 | - | - | - | 1,120,375 |
| Assigned to: | | | | | |
| Encumbrances: | | | | | |
| General government..... | 150,146 | - | - | - | 150,146 |
| Public safety..... | 123,464 | - | - | - | 123,464 |
| Education..... | 530,942 | - | - | - | 530,942 |
| Public works..... | 606,004 | - | - | - | 606,004 |
| Public facilities..... | 24,366 | - | - | - | 24,366 |
| Community services..... | 16,101 | - | - | - | 16,101 |
| Library..... | 5,506 | - | - | - | 5,506 |
| Employee benefits..... | 33,704 | - | - | - | 33,704 |
| Unassigned..... | 22,723,426 | - | - | (690,948) | 22,032,478 |
| Total Fund Balances..... | \$ 25,856,659 | \$ 12,330,356 | \$ 1,641,615 | \$ 26,321,330 | \$ 66,149,960 |

NOTE 10 – 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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Health Insurance – The Town is self-insured for its health insurance activities. Health insurance claims are administered by a third-party administrator and are funded on an as needed basis from the Town’s internal service fund. The estimated “Incurred But Not Reported (IBNR)” claims are based on actual and historical lag claims. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$150,000 per claim. The amount of claim settlements has not exceeded the insurance coverage in any of the previous three years. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

The liability at June 30, 2020, totaled \$1,825,000. Changes in the reported liability since July 1, 2018, are as follows:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End |
|-----------|------------------------------------|--|--------------------|------------------------|
| 2019..... | \$ 1,884,000 | \$ 26,384,000 | \$ (26,356,000) | \$ 1,912,000 |
| 2020..... | 1,912,000 | 25,630,085 | (25,717,085) | 1,825,000 |

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, 2020, the amount of the liability for workers' compensation claims totaled \$323,000. Changes in the reported liability since July 1, 2018 are as follows:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End | Current Portion |
|-----------|------------------------------------|--|--------------------|------------------------|--------------------|
| 2019..... | \$ 630,000 | \$ (487,000) | \$ (44,000) | \$ 99,000 | \$ 10,000 |
| 2020..... | 99,000 | 470,000 | (246,000) | 323,000 | 32,000 |

NOTE 11 – PENSION PLAN

Plan Description – The Town is a member of the Andover Contributory Retirement System (ACRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation – The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total

covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$22,893,211 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth’s collective net pension liability associated with the Town is \$188,782,964 as of the measurement date.

Benefits Provided – Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Board and are borne by the System.

At December 31, 2019, the ACRS membership consists of the following:

| | |
|--|---------------------|
| Active members..... | 756 |
| Inactive members..... | 145 |
| Disabled members..... | 42 |
| Retirees and beneficiaries currently receiving benefits..... | <u>458</u> |
| Total..... | <u><u>1,401</u></u> |

Contributions – Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units’ contribution for the year ended December 31, 2019, was \$11,518,013, or 27.22% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town’s proportionate share of the required contribution was \$11,110,355, while its actual contribution was \$11,410,355.

Pension Liabilities – The components of the net pension liability of the participating member units at June 30, 2020, were as follows:

| | | |
|--|----|----------------------|
| Total pension liability..... | \$ | 326,701,771 |
| Total pension plan's fiduciary net position..... | | <u>(162,235,822)</u> |
| Total net pension liability..... | \$ | <u>164,465,949</u> |
| The pension plan's fiduciary net position as | | |
| a percentage of the total pension liability..... | | 49.66% |

At June 30, 2020, the Town reported a liability of \$162,887,587 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on the Town's proportion of the actuarial accrued liability relative to the proportion of the actuarial accrued liability attributable to all participating members. At December 31, 2019, the Town's proportion was 99.04%; which decreased from its proportion of 99.11% measured at December 31, 2018.

Pension Expense – For the year ended June 30, 2020, the Town recognized pension expense of \$20,659,267. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$12,068,442, and also reported deferred inflows of resources related to pensions of \$14,456,961. The balances of deferred outflows and inflows at June 30, 2020, consist of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-----------------------|
| Differences between expected and actual experience..... | \$ 2,748,796 | \$ (3,427,847) | \$ (679,051) |
| Difference between projected and actual earnings, net..... | - | (9,851,889) | (9,851,889) |
| Changes in assumptions..... | 8,305,780 | - | 8,305,780 |
| Changes in proportion and proportionate share of contributions... | <u>1,013,866</u> | <u>(1,177,225)</u> | <u>(163,359)</u> |
| Total deferred outflows/(inflows) of resources..... | \$ <u>12,068,442</u> | \$ <u>(14,456,961)</u> | \$ <u>(2,388,519)</u> |

The Town's net deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | | |
|------------|----|--------------------|
| 2021..... | \$ | 4,195,149 |
| 2022..... | | (2,641,579) |
| 2023..... | | 32,989 |
| 2024..... | | <u>(3,975,078)</u> |
| Total..... | \$ | <u>(2,388,519)</u> |

Actuarial Assumptions - The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

| | |
|--|---|
| Valuation date..... | January 1, 2020 |
| Actuarial cost method..... | Entry Age Normal Cost Method |
| Inflation rate..... | 3.50%. |
| Projected salary increases..... | Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4. |
| Cost of living adjustments..... | 2.25% of first \$12,000 for fiscal 2021 and 3% of first \$12,000 thereafter. |
| Mortality Rates: | |
| Pre-Retirement..... | RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally with Scale MP-2017. |
| Healthy Retiree..... | RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally with Scale MP-2017. |
| Disabled Retiree..... | RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017. |
| Investment rate of return/Discount rate..... | 6.25%, net of plan investment expenses, including inflation. |

Investment policy – The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was selected by the Town. This rate is within a reasonable range for a 10-year expected return calculated using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation less investment expense and a risk factor. The System’s expected future real rate of return is added to the expected inflation rate to produce the long-term nominal expected rate of return. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2019, are summarized in the table on the following page:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--|--|---|
| Domestic equity..... | 33.00% | 6.15% |
| International developed markets equity.. | 10.00% | 6.78% |
| International emerging markets equity... | 6.00% | 8.65% |
| Core fixed income..... | 11.00% | 1.11% |
| High-yield fixed income..... | 11.00% | 3.51% |
| Real estate..... | 15.00% | 4.33% |
| Commodities..... | 2.00% | 4.13% |
| Hedge fund, GTAA, Risk parity..... | 6.50% | 3.19% |
| Private equity..... | 5.50% | 9.99% |
| | | |
| Total..... | 100.00% | |

Rate of return – For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate – The discount rate used to measure the total pension liability was 6.25% for financial reporting for the measurement periods ending December 31, 2019, and December 31, 2018. The discount rate used to determine the actuarial determined contribution was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| | 1% Decrease (5.25%) | Current Discount (6.25%) | 1% Increase (7.25%) |
|---|------------------------|-----------------------------|------------------------|
| The Town's proportionate share of the net pension liability..... \$ | 202,574,985 | \$ 162,887,587 | \$ 129,589,324 |
| ACRS total net pension liability..... \$ | 204,537,913 | \$ 164,465,949 | \$ 130,845,029 |

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Andover administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. 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.

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Funding Policy – The 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. For the year ended June 30, 2020, the Town’s average contribution rate was 6.13% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2020, the Town pre-funded future OPEB liabilities totaling \$1,971,134 by contributing funds to the OPEB Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the net position of the OPEB trust fund totaled \$14,978,253. The Town implemented a plan to begin funding OPEB in 2017, consisting of an initial contribution of 0.4% of general fund revenue with contributions increasing 2.5% per year in subsequent years. In addition, the incremental annual savings in the health insurance budget generated in accordance with the Select Board vote on April 5, 2016, to implement a comprehensive OPEB reform plan by changing the retiree premium contribution split, are appropriated to the OPEB Trust Fund.

Investment policy – The Town’s policy regarding the allocation of invested assets is established and may be amended by the Select Board by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2020:

| | |
|--|-------------------------|
| Active members..... | 1,382 |
| Retired, Disabled, Survivors and Beneficiaries receiving benefits..... | 759 |
| Inactive members entitled to but not yet receiving benefits..... | <u>28</u> |
| Total..... | <u><u>2,169</u></u> |

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

| | | |
|--|----|---------------------|
| Total OPEB liability..... | \$ | 132,109,356 |
| Less: OPEB plan's fiduciary net position..... | | <u>(14,978,253)</u> |
| Net OPEB liability..... | \$ | <u>117,131,103</u> |
| | | |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | | 11.34% |

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020, to be in accordance with GASB Statement #74 and GASB Statement #75:

| | |
|---------------------------------|--|
| Valuation date..... | July 1, 2019, updated to measurement date of June 30, 2020 |
| Actuarial cost method..... | Entry Age Normal |
| Asset valuation method..... | Market value of assets with payables and receivables. |
| Discount rate..... | 6.00%, net of investment expense |
| Projected salary increases..... | 3.00% |
| Mortality rates..... | Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2019. Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019. Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019, set forward two years. |

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments was 3.65%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and by subtracting expected investment expenses and a risk margin.

Best estimates of geometric real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2020, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|---|-------------------------------------|--|
| U.S. Large-Cap Equity..... | 43.88% | 4.52% |
| U.S. Mid-Cap Equity..... | 2.11% | 6.39% |
| U.S. Small-Cap Equity..... | 0.84% | 4.72% |
| International Equity..... | 10.18% | 4.52% |
| Emerging Market Equity..... | 3.03% | 7.66% |
| Multi-Strategy..... | 7.00% | 2.79% |
| U.S. Short-Duration Government/Credit Bonds..... | 4.65% | 0.10% |
| U.S. Aggregate Bonds..... | 19.80% | 0.20% |
| U.S. Treasury Inflation-Projected Securities..... | 3.25% | -0.20% |
| U.S. High Yield Bonds..... | 4.78% | 1.96% |
| U.S. Long-Duration Treasuries..... | 0.48% | 0.00% |
| Total..... | 100.00% | |

Discount rate – The discount rate used to measure the total OPEB liability was 6.00% as of June 30, 2020 and June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|-----------------------------|-------------------------------|---------------------------------|
| | Total OPEB Liability (a) | Plan | |
| | | Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2019..... | \$ 140,266,084 | \$ 12,492,284 | \$ 127,773,800 |
| Changes for the year: | | | |
| Service cost..... | 3,457,542 | - | 3,457,542 |
| Interest..... | 8,487,889 | - | 8,487,889 |
| Changes of benefit terms..... | - | - | - |
| Differences between expected and actual experience..... | (6,118,570) | - | (6,118,570) |
| Changes in assumptions..... | (9,465,966) | - | (9,465,966) |
| Benefit payments..... | (4,517,623) | (4,517,623) | - |
| Employer contributions..... | - | 1,982,567 | (1,982,567) |
| Employer contributions for OPEB payments..... | - | 4,517,623 | (4,517,623) |
| Net investment income..... | - | 503,402 | (503,402) |
| Net change..... | (8,156,728) | 2,485,969 | (10,642,697) |
| Balances at June 30, 2020..... | \$ 132,109,356 | \$ 14,978,253 | \$ 117,131,103 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 6.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate.

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 136,215,834 | \$ 117,131,103 | \$ 101,588,821 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | 1% Decrease | Current Trend | 1% Increase |
|-------------------------|---------------|----------------|----------------|
| Net OPEB liability..... | \$ 98,627,160 | \$ 117,131,103 | \$ 140,447,776 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$8,000,290. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-----------------|
| Differences between expected and actual experience..... | \$ 5,003,012 | \$ (4,914,127) | \$ 88,885 |
| Changes in assumptions..... | 736,564 | (15,778,296) | (15,041,732) |
| Difference between projected and actual earnings..... | 104,523 | - | 104,523 |
| Changes in proportion and proportionate share of contributions... | 593,237 | (593,237) | - |
| Total deferred outflows/(inflows) of resources..... | \$ 6,437,336 | \$ (21,285,660) | \$ (14,848,324) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement date year ended June 30:

| | |
|------------|-----------------|
| 2021..... | \$ (3,120,526) |
| 2022..... | (3,120,526) |
| 2023..... | (4,072,199) |
| 2024..... | (4,289,646) |
| 2025..... | (245,427) |
| Total..... | \$ (14,848,324) |

Changes of Assumptions – The mortality assumption was changed from projection scale MP-2016 to scale MP-2019. The morbidity assumption was changed to calculate age-graded claim rates based on health care costs.

The elimination of the Cadillac Tax that was included in the Patient Protection and Affordable Coverage Act (PPACA); which was eliminated due to a change in legislation.

Changes in Plan Provisions – None

NOTE 13 – 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 \$14,700,000 as the estimate of the landfill closure liability at June 30, 2020, 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 or lower due to inflation/deflation, changes in technology, or changes in regulations.

NOTE 14 - FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided on the following page are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Employee Benefit Trust Funds.

| | Pension Trust Fund (as of December 31, 2019) | Other Employee Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|--|---|--|--|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 786,803 | \$ - | \$ 786,803 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 132,587,931 | - | 132,587,931 |
| Mutual funds..... | 28,880,913 | 14,978,253 | 43,859,166 |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | 4,153 | - | 4,153 |
| TOTAL ASSETS | 162,259,800 | 14,978,253 | 177,238,053 |
| LIABILITIES | | | |
| Warrants payable..... | 23,978 | - | 23,978 |
| NET POSITION | | | |
| Restricted for pensions..... | 162,235,822 | - | 162,235,822 |
| Restricted for other postemployment benefits..... | - | 14,978,253 | 14,978,253 |
| TOTAL NET POSITION | \$ 162,235,822 | \$ 14,978,253 | \$ 177,214,075 |

| | Pension Trust Fund (as of December 31, 2019) | Other Postemployment Benefit Trust Fund | Total Pension and Other Postemployment Benefit Trust Funds |
|---|---|--|--|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer contributions..... | \$ 11,518,013 | \$ 1,971,134 | \$ 13,489,147 |
| Employer contributions for other postemployment benefit payments..... | - | 4,517,623 | 4,517,623 |
| Member contributions..... | 4,148,777 | - | 4,148,777 |
| Transfers from other systems..... | 982,922 | - | 982,922 |
| State COLA reimbursements..... | 67,493 | - | 67,493 |
| Intergovernmental..... | - | 11,433 | 11,433 |
| Total contributions..... | 16,717,205 | 6,500,190 | 23,217,395 |
| Net investment income: | | | |
| Investment income..... | 25,529,523 | 503,402 | 26,032,925 |
| Less: investment expense..... | (590,539) | - | (590,539) |
| Net investment income..... | 24,938,984 | 503,402 | 25,442,386 |
| TOTAL ADDITIONS..... | 41,656,189 | 7,003,592 | 48,659,781 |
| DEDUCTIONS: | | | |
| Administration..... | 286,739 | - | 286,739 |
| Transfers to other systems..... | 1,100,714 | - | 1,100,714 |
| Retirement benefits and refunds..... | 15,627,553 | - | 15,627,553 |
| Other postemployment benefit payments..... | - | 4,517,623 | 4,517,623 |
| TOTAL DEDUCTIONS..... | 17,015,006 | 4,517,623 | 21,532,629 |
| NET INCREASE (DECREASE) IN NET POSITION..... | 24,641,183 | 2,485,969 | 27,127,152 |
| NET POSITION AT BEGINNING OF YEAR..... | 137,594,639 | 12,492,284 | 150,086,923 |
| NET POSITION AT END OF YEAR..... | \$ 162,235,822 | \$ 14,978,253 | \$ 177,214,075 |

NOTE 15 – COLUMBIA GAS DISASTER

On September 13, 2018, an over pressurization of a portion of the Bay State Gas Company d/b/a Columbia Gas of Massachusetts (Columbia) natural gas system in the Merrimack Valley of Massachusetts took place, which resulted in a series of fires, explosions and other damages. The Town asserted various claims against Columbia arising from the event. Following the event, extensive work was performed by Columbia to restore and/or replace underground gas mains and service lines. The Town entered into a Final Settlement and Release of all Claims Agreement (Settlement Agreement) with Columbia on May 1, 2019, providing the Town with the ability to recover agreed-upon maximum balances of \$13,965,000 for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the event, \$3,000,000 for mitigation fees and up to \$3,851,250 to reimburse the Town for direct substantiated losses at the time of the disaster.

In 2019, the Town received \$13,965,000 for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the event, and that revenue was reported in the Gas Disaster Paving Restoration fund. The Town anticipates completing the paving restoration within four full summer paving seasons, or by December 31, 2023. As of June 30, 2020, the ending fund balance of the Gas Disaster Paving Restoration fund totaled \$12,330,356. Any proceeds not appropriated by the legislative body to be spent in accordance with the agreement by December 31, 2023, will close to the general fund.

In 2019, the Town received \$3,000,000 of mitigation funds, which have been reported in the Gas Disaster Mitigation Fee fund. The mitigation fees represent recovery of liabilities, claims, damages (including soft surface restoration), including but not limited to lost revenues, prior and future permit and inspection fees, depreciation and damage to municipal property. Any claims not covered by the Gas Disaster Reimbursement fund (more fully explained in the following paragraph) may be covered with these proceeds. All remaining funds must be appropriated by Town Meeting to be expended in accordance with the Settlement Agreement. As of June 30, 2020, the ending fund balance of the Gas Disaster Mitigation fund totaled \$1,641,615. Any proceeds not expended for the purpose described in the Settlement Agreement by December 31, 2021, will close to the general fund.

Columbia agreed to a maximum reimbursement of \$3,851,250 for direct substantiated losses submitted for reimbursement to Columbia no later than December 31, 2019. During the reimbursement period, a total of \$2,457,587 was received to offset direct costs of \$1,749,253, vehicle depreciation of \$124,972 and lost revenue of \$583,362 for waived parking and permit fees resulting from the event. On June 19, 2019, the Town appropriated the remaining balance of \$645,765 in the Gas Disaster Reimbursement fund for capital purposes and transferred the balance to a capital reserve fund.

NOTE 16 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing certain Town revenues. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 17 – TAX INCREMENT FINANCING AGREEMENTS

The Town enters into tax increment financing (TIF) agreements with local businesses under Chapter 40, Section 59 of the Massachusetts General Laws. Under this section of the law, localities may grant property tax exemptions of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The exemptions may be granted to any business located within or promising to relocate to the Town.

For the fiscal year ended June 30, 2020, the Town exempted property taxes totaling \$2,066,846 under this program.

The Town has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 18 – DUE TO OTHER GOVERNMENTS

On June 4, 2018, the Town entered into an intermunicipal agreement with the Town of North Reading, as approved by Massachusetts Session Laws, Chapter 109 of the Acts of 2018, whereas the Town of Andover has agreed to supply and sell potable water to the Town of North Reading and the Town of North Reading agreed to receive and pay for potable water from the Town of Andover for a term of 99 years. Additionally, the Town of Andover agreed to reimburse the Town of North Reading for \$953,000 of costs already incurred to join the Massachusetts Water Resources Authority (MWRA). The reimbursement will be applied as credits to the Town of North Reading's water usage costs over the next 10 years. The discounted future cash flows related to these reimbursements totaling \$630,575 has been reported as a liability - due to other governments in the water enterprise fund as of June 30, 2020.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2020, 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

The Town has entered into or is planning to enter into contracts totaling \$8,270,000 for construction and renovation of Town buildings.

The Town has entered into or is planning to enter into contracts totaling \$11,550,000 for water and sewer infrastructure projects.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2020, which is the date the financial statements were available to be issued.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 150,342,680 | \$ 150,339,744 | \$ 150,317,210 | \$ - | \$ (22,534) |
| Tax liens..... | - | - | 224,975 | - | 224,975 |
| Motor vehicle and other excise taxes..... | 5,826,858 | 5,826,858 | 5,962,010 | - | 135,152 |
| Hotel/motel tax..... | 1,793,321 | 1,793,321 | 1,807,513 | - | 14,192 |
| Meals tax..... | 565,345 | 565,345 | 601,416 | - | 36,071 |
| Penalties and interest on taxes..... | 461,500 | 461,500 | 557,100 | - | 95,600 |
| Licenses and permits..... | 2,400,000 | 2,400,000 | 3,209,427 | - | 809,427 |
| Intergovernmental..... | 13,929,158 | 13,929,158 | 14,610,563 | - | 681,405 |
| Departmental and other..... | 3,677,355 | 3,677,355 | 3,054,664 | - | (622,691) |
| Investment income..... | 631,269 | 631,269 | 1,129,174 | - | 497,905 |
| TOTAL REVENUES..... | 179,627,486 | 179,624,550 | 181,474,052 | - | 1,849,502 |
| EXPENDITURES: | | | | | |
| General Government..... | 8,942,471 | 9,126,588 | 8,617,691 | 184,734 | 324,163 |
| Public Safety..... | 17,447,023 | 17,634,838 | 17,374,975 | 123,464 | 136,399 |
| Technical schools..... | 647,149 | 673,805 | 673,805 | - | - |
| School department..... | 86,122,777 | 86,122,782 | 85,591,840 | 530,942 | - |
| Public Works..... | 9,280,543 | 9,468,557 | 8,761,779 | 606,004 | 100,774 |
| Public facilities..... | 3,927,516 | 4,030,321 | 3,488,532 | 24,366 | 517,423 |
| Community services..... | 2,451,053 | 2,505,515 | 2,165,296 | 37,221 | 302,998 |
| Library..... | 2,844,388 | 2,882,451 | 2,684,045 | 5,506 | 192,900 |
| Compensation fund..... | 590,000 | 41,266 | - | - | 41,266 |
| Reserve fund..... | 200,000 | 140,000 | - | - | 140,000 |
| Pension benefits..... | 11,410,355 | 11,410,355 | 11,410,355 | - | - |
| Property and liability insurance..... | 1,064,473 | 1,064,473 | 1,064,473 | - | - |
| Employee benefits..... | 23,070,401 | 23,070,401 | 23,036,697 | 33,704 | - |
| State and county charges..... | 718,202 | 718,202 | 769,672 | - | (51,470) |
| Debt service: | | | | | |
| Principal..... | 10,599,943 | 10,599,943 | 10,599,943 | - | - |
| Interest..... | 4,549,682 | 4,373,543 | 4,372,657 | - | 886 |
| Total Debt service..... | 15,149,625 | 14,973,486 | 14,972,600 | - | 886 |
| TOTAL EXPENDITURES..... | 183,865,976 | 183,863,040 | 180,611,760 | 1,545,941 | 1,705,339 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (4,238,490) | (4,238,490) | 862,292 | (1,545,941) | 3,554,841 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in..... | 6,805,835 | 6,805,835 | 6,805,835 | - | - |
| Transfers out..... | (3,963,698) | (3,963,698) | (3,963,698) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 2,842,137 | 2,842,137 | 2,842,137 | - | - |
| NET CHANGE IN FUND BALANCE..... | (1,396,353) | (1,396,353) | 3,704,429 | (1,545,941) | 3,554,841 |
| BUDGETARY FUND BALANCE, Beginning of year.. | 14,005,987 | 14,005,987 | 14,005,987 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 12,609,634 | \$ 12,609,634 | \$ 17,710,416 | \$ (1,545,941) | \$ 3,554,841 |

See notes to required supplementary information.

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Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in Net Pension Liability presents multi-year trend information on the Plan's net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**

| | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | | | |
| Service cost..... | \$ 4,830,379 | \$ 5,031,130 | \$ 7,081,423 | \$ 7,340,269 | \$ 7,335,218 | \$ 7,603,343 |
| Interest..... | 16,502,651 | 17,252,209 | 17,341,752 | 18,050,660 | 19,168,955 | 19,891,392 |
| Differences between expected and actual experience..... | - | (3,424,106) | - | 5,550,864 | - | (3,612,969) |
| Changes in assumptions..... | - | 46,223,459 | - | 1,364,706 | - | - |
| Benefit payments..... | <u>(11,786,173)</u> | <u>(11,937,955)</u> | <u>(12,610,258)</u> | <u>(14,068,711)</u> | <u>(14,748,757)</u> | <u>(15,677,852)</u> |
| Net change in total pension liability..... | 9,546,857 | 53,144,737 | 11,812,917 | 18,237,788 | 11,755,416 | 8,203,914 |
| Total pension liability - beginning..... | <u>214,000,142</u> | <u>223,546,999</u> | <u>276,691,736</u> | <u>288,504,653</u> | <u>306,742,441</u> | <u>318,497,857</u> |
| Total pension liability - ending (a)..... | <u>\$ 223,546,999</u> | <u>\$ 276,691,736</u> | <u>\$ 288,504,653</u> | <u>\$ 306,742,441</u> | <u>\$ 318,497,857</u> | <u>\$ 326,701,771</u> |
| Plan fiduciary net position: | | | | | | |
| Employer contributions..... | \$ 6,281,397 | \$ 8,007,778 | \$ 8,665,124 | \$ 9,517,477 | \$ 10,464,565 | \$ 11,518,013 |
| Member contributions..... | 3,511,255 | 3,659,016 | 3,785,282 | 3,853,001 | 4,025,018 | 4,148,777 |
| Net investment income (loss)..... | 8,085,611 | 999,647 | 8,351,875 | 21,179,080 | (5,622,341) | 24,938,984 |
| Administrative expenses..... | (240,330) | (262,001) | (286,066) | (267,297) | (295,608) | (286,739) |
| Retirement benefits and refunds..... | <u>(11,786,173)</u> | <u>(11,937,955)</u> | <u>(12,610,258)</u> | <u>(14,068,711)</u> | <u>(14,748,757)</u> | <u>(15,677,852)</u> |
| Net increase (decrease) in fiduciary net position..... | 5,851,760 | 466,485 | 7,905,957 | 20,213,550 | (6,177,123) | 24,641,183 |
| Fiduciary net position - beginning of year..... | <u>109,334,010</u> | <u>115,185,770</u> | <u>115,652,255</u> | <u>123,558,212</u> | <u>143,771,762</u> | <u>137,594,639</u> |
| Fiduciary net position - end of year (b)..... | <u>\$ 115,185,770</u> | <u>\$ 115,652,255</u> | <u>\$ 123,558,212</u> | <u>\$ 143,771,762</u> | <u>\$ 137,594,639</u> | <u>\$ 162,235,822</u> |
| Net pension liability - ending (a)-(b)..... | <u>\$ 108,361,229</u> | <u>\$ 161,039,481</u> | <u>\$ 164,946,441</u> | <u>\$ 162,970,679</u> | <u>\$ 180,903,218</u> | <u>\$ 164,465,949</u> |
| Plan fiduciary net position as a percentage of the total pension liability..... | 51.53% | 41.80% | 42.83% | 46.87% | 43.20% | 49.66% |
| Covered payroll..... | \$ 36,488,870 | \$ 36,946,467 | \$ 38,583,218 | \$ 38,828,166 | \$ 40,545,376 | \$ 42,318,976 |
| Net pension liability as a percentage of covered payroll..... | 296.97% | 435.87% | 427.51% | 419.72% | 446.17% | 388.63% |
| Discount Rate used for the ending net pension liability..... | 7.75% | 6.25% | 6.25% | 6.25% | 6.25% | 6.25% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|------------------------|---|--|--|--------------------|---|
| December 31, 2019..... | \$ 11,218,013 | \$ (11,518,013) | \$ (300,000) | \$ 42,318,976 | 27.22% |
| December 31, 2018..... | 10,464,565 | (10,464,565) | - | 40,545,376 | 25.81% |
| December 31, 2017..... | 9,513,240 | (9,517,477) | (4,237) | 38,828,166 | 24.51% |
| December 31, 2016..... | 8,648,400 | (8,665,124) | (16,724) | 38,583,218 | 22.46% |
| December 31, 2015..... | 8,007,778 | (8,007,778) | - | 36,946,467 | 21.67% |
| December 31, 2014..... | 6,281,397 | (6,281,397) | - | 36,488,870 | 17.21% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|------------------------|--|
| December 31, 2019..... | 18.43% |
| December 31, 2018..... | -3.94% |
| December 31, 2017..... | 17.63% |
| December 31, 2016..... | 7.37% |
| December 31, 2015..... | 0.87% |
| December 31, 2014..... | 7.57% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Pension Plan Schedules – Town

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability | Discount Rate used for the net pension liability |
|------------------------|---|---|--------------------|--|--|---|
| December 31, 2019..... | 99.04% | \$ 162,887,587 | \$ 41,766,058 | 390.00% | 49.66% | 6.25% |
| December 31, 2018..... | 99.11% | 179,291,578 | 40,024,710 | 447.95% | 43.20% | 6.25% |
| December 31, 2017..... | 99.11% | 161,518,798 | 38,327,526 | 421.42% | 46.87% | 6.25% |
| December 31, 2016..... | 99.23% | 163,674,229 | 38,195,809 | 428.51% | 42.83% | 6.25% |
| December 31, 2015..... | 99.23% | 159,797,403 | 36,575,628 | 436.90% | 41.80% | 6.25% |
| December 31, 2014..... | 99.24% | 107,541,748 | 36,036,778 | 298.42% | 51.53% | 7.75% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2020..... | \$ 11,110,355 | \$ (11,410,355) | \$ (300,000) | \$ 42,601,379 | 26.78% |
| June 30, 2019..... | 10,371,338 | (10,371,338) | - | 40,825,204 | 25.40% |
| June 30, 2018..... | 9,428,488 | (9,449,449) | (20,961) | 39,094,077 | 24.17% |
| June 30, 2017..... | 8,581,696 | (8,581,696) | - | 38,959,725 | 22.03% |
| June 30, 2016..... | 7,929,291 | (7,929,291) | - | 37,307,141 | 21.25% |
| June 30, 2015..... | 6,207,276 | (6,207,276) | - | 36,757,514 | 16.89% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2020..... | \$ 188,782,964 | \$ 22,893,211 | 53.95% |
| 2019..... | 176,905,548 | 17,926,816 | 54.84% |
| 2018..... | 168,589,392 | 17,596,166 | 54.25% |
| 2017..... | 162,869,117 | 16,613,718 | 52.73% |
| 2016..... | 152,894,310 | 12,401,089 | 55.38% |
| 2015..... | 117,449,333 | 8,159,769 | 61.64% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of Town Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | |
| Service Cost..... | \$ 5,605,421 | \$ 4,186,467 | \$ 4,451,353 | \$ 3,457,542 |
| Interest..... | 9,299,269 | 7,514,930 | 8,448,402 | 8,487,889 |
| Changes of benefit terms..... | (42,080,306) | - | (10,540,194) | - |
| Differences between expected and actual experience..... | - | 10,865,917 | - | (6,118,570) |
| Changes of assumptions..... | (6,594,974) | 1,599,726 | (12,768,804) | (9,465,966) |
| Benefit payments..... | (4,647,800) | (4,923,643) | (4,985,511) | (4,517,623) |
| Net change in total OPEB liability..... | (38,418,390) | 19,243,397 | (15,394,754) | (8,156,728) |
| Total OPEB liability - beginning..... | 174,835,831 | 136,417,441 | 155,660,838 | 140,266,084 |
| Total OPEB liability - ending (a)..... | \$ 136,417,441 | \$ 155,660,838 | \$ 140,266,084 | \$ 132,109,356 |
| Plan fiduciary net position | | | | |
| Employer contributions..... | \$ 1,502,579 | \$ 1,648,721 | \$ 1,811,888 | \$ 1,971,134 |
| Employer contributions for OPEB payments..... | 4,647,800 | 4,923,643 | 4,985,511 | 4,517,623 |
| Other contributions..... | - | - | 7,060 | 11,433 |
| Net investment income..... | 730,782 | 636,085 | 720,254 | 503,402 |
| Benefit payments..... | (4,647,800) | (4,923,643) | (4,985,511) | (4,517,623) |
| Net change in plan fiduciary net position..... | 2,233,361 | 2,284,806 | 2,539,202 | 2,485,969 |
| Plan fiduciary net position - beginning of year..... | 5,434,915 | 7,668,276 | 9,953,082 | 12,492,284 |
| Plan fiduciary net position - end of year (b)..... | \$ 7,668,276 | \$ 9,953,082 | \$ 12,492,284 | \$ 14,978,253 |
| Net OPEB liability - ending (a)-(b)..... | \$ 128,749,165 | \$ 145,707,756 | \$ 127,773,800 | \$ 117,131,103 |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 5.62% | 6.39% | 8.91% | 11.34% |
| Covered-employee payroll..... | \$ 91,219,966 | \$ 96,676,019 | \$ 101,528,686 | \$ 106,084,030 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 141.14% | 150.72% | 125.85% | 110.41% |
| Discount rate used for the net OPEB liability at year end..... | 5.44% | 5.36% | 6.00% | 6.00% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered- employee payroll | Contributions as a percentage of covered- employee payroll |
|--------------------|---|--|--|------------------------------|---|
| June 30, 2020..... | \$ 9,610,000 | \$ (6,500,190) | \$ 3,109,810 | \$ 106,084,030 | 6.13% |
| June 30, 2019..... | 10,148,465 | (6,804,459) | 3,344,006 | 101,528,686 | 6.70% |
| June 30, 2018..... | 9,967,599 | (6,572,364) | 3,395,235 | 96,676,019 | 6.80% |
| June 30, 2017..... | 9,437,501 | (6,150,379) | 3,287,122 | 91,219,966 | 6.74% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| Year | Annual money-weighted rate of return, net of investment expense |
|--------------------|---|
| June 30, 2020..... | 3.65% |
| June 30, 2019..... | 6.48% |
| June 30, 2018..... | 7.21% |
| June 30, 2017..... | 12.10% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

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 year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. Town Meeting has authorized appropriations at the functional expenditure classification level. 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 2020 approved budget authorized approximately \$187.8 million in appropriations and other amounts to be raised. There were no supplemental appropriations in 2020.

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 year or during the first 15 days of the new 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 year ended June 30, 2020, is presented below:

| | |
|---|---------------------|
| Net change in fund balance - budgetary basis..... | \$ 3,704,429 |
| <u>Perspective differences:</u> | |
| Activity of the stabilization funds recorded in the general fund for GAAP.... | 114,786 |
| <u>Basis of accounting differences:</u> | |
| Net change in recording 60 day receipts..... | 414,509 |
| Net change in recording tax refunds payable..... | 152,000 |
| Recognition of revenue for on-behalf payments..... | 22,893,211 |
| Recognition of expenditures for on-behalf payments..... | <u>(22,893,211)</u> |
| Net change in fund balance - GAAP basis..... | <u>\$ 4,385,724</u> |

3. Appropriation Deficits

During 2020, actual expenditures exceeded appropriations for State and County charges. State and County charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The Town is not required to raise the State and County assessment deficit.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – Town of Andover

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July

at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes of Assumptions and Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (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 Other Postemployment Benefit Plan

A. The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

B. Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contributions made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates as follows:

| | |
|---------------------------------|---|
| Valuation date..... | July 1, 2019, updated to measurement date of June 30, 2020 |
| Actuarial cost method..... | Entry Age Normal |
| Asset valuation method..... | Market value of assets with payables and receivables. |
| Discount rate..... | 6.00%, net of investment expense |
| Projected salary increases..... | 3.00% |
| Mortality rates..... | <p>Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2019.</p> <p>Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019.</p> <p>Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019, set forward two years.</p> |

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

D. Changes of Assumptions and Plan Provisions

The mortality assumption was changed from projection scale MP-2016 to scale MP-2019. The morbidity assumption was changed to calculate age-graded claim rates based on Health Care Costs. The elimination of the Cadillac Tax that was included in the Patient Protection and Affordable Coverage Act (PPACA); which was eliminated due to a change in legislation. There were no changes in plan provisions.

Combining and Individual Fund Statements

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.

Town Grants/Other Revolving Funds – This 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.

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.

COVID-19 – This fund is used to account for funds received from federal and state governments to assist in funding additional costs associated with the COVID-19 Pandemic.

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.

Ledge Road Landfill – This fund is used to account for the post-closure costs associated with the Ledge Road landfill.

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.

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.

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, 2020

| | Special Revenue Funds | | | | | Subtotal |
|---|------------------------------------|--------------------------------------|--------------------------|--------------------------|--------------------|-----------------------------|
| | Town Grants/ Other Revolving | School Grants/ Other Revolving | School Lunch | COVID-19 Funds | | |
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 3,315,465 | \$ 4,531,568 | \$ 173,811 | \$ - | \$ - | \$ 8,020,844 |
| Investments..... | 1,303,456 | - | - | - | - | 1,303,456 |
| Receivables, net of uncollectibles: | | | | | | |
| Departmental and other..... | 61,962 | - | - | - | - | 61,962 |
| Intergovernmental..... | <u>112,940</u> | <u>246,833</u> | <u>-</u> | <u>267,819</u> | <u>-</u> | <u>627,592</u> |
| TOTAL ASSETS..... | <u>\$ 4,793,823</u> | <u>\$ 4,778,401</u> | <u>\$ 173,811</u> | <u>\$ 267,819</u> | <u>\$ -</u> | <u>\$ 10,013,854</u> |
| LIABILITIES | | | | | | |
| Warrants payable..... | \$ 332,333 | \$ 56,934 | \$ 28,902 | \$ 1,132 | \$ - | \$ 419,301 |
| Accrued payroll..... | 37,337 | 148,932 | 1,238 | - | - | 187,507 |
| Due to other funds..... | - | - | - | 92,357 | - | 92,357 |
| Other liabilities..... | 191,069 | - | - | - | - | 191,069 |
| Unearned Revenue..... | - | - | - | 174,330 | - | 174,330 |
| Notes payable..... | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES..... | <u>560,739</u> | <u>205,866</u> | <u>30,140</u> | <u>267,819</u> | <u>-</u> | <u>1,064,564</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue..... | <u>57,154</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>57,154</u> |
| FUND BALANCES | | | | | | |
| Nonspendable..... | - | - | - | - | - | - |
| Restricted..... | 4,175,930 | 4,572,535 | 143,671 | - | - | 8,892,136 |
| Unassigned..... | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL FUND BALANCES..... | <u>4,175,930</u> | <u>4,572,535</u> | <u>143,671</u> | <u>-</u> | <u>-</u> | <u>8,892,136</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | <u>\$ 4,793,823</u> | <u>\$ 4,778,401</u> | <u>\$ 173,811</u> | <u>\$ 267,819</u> | <u>\$ -</u> | <u>\$ 10,013,854</u> |

Capital Project Funds

| Road/ Drainage Projects | Ledge Road Landfill | Conservation | Municipal Buildings | School Projects | Other | Subtotal |
|-------------------------------|------------------------|-----------------|------------------------|---------------------|---------------------|----------------------|
| \$ 904,011 | \$ 1,927,498 | \$ 4,153 | \$ 7,940,963 | \$ 1,612,741 | \$ 7,311,449 | \$ 19,700,815 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 104,399 | 104,399 |
| <u>\$ 904,011</u> | <u>\$ 1,927,498</u> | <u>\$ 4,153</u> | <u>\$ 7,940,963</u> | <u>\$ 1,612,741</u> | <u>\$ 7,415,848</u> | <u>\$ 19,805,214</u> |
| \$ - | \$ 7,541 | \$ - | \$ 1,076,103 | \$ 6,100 | \$ 266,194 | \$ 1,355,938 |
| - | - | - | - | - | 195 | 195 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 50,000 | - | - | 1,927,000 | - | 1,084,000 | 3,061,000 |
| 50,000 | 7,541 | - | 3,003,103 | 6,100 | 1,350,389 | 4,417,133 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 854,011 | 1,919,957 | 4,153 | 4,937,860 | 1,606,641 | 6,756,407 | 16,079,029 |
| - | - | - | - | - | (690,948) | (690,948) |
| <u>854,011</u> | <u>1,919,957</u> | <u>4,153</u> | <u>4,937,860</u> | <u>1,606,641</u> | <u>6,065,459</u> | <u>15,388,081</u> |
| <u>\$ 904,011</u> | <u>\$ 1,927,498</u> | <u>\$ 4,153</u> | <u>\$ 7,940,963</u> | <u>\$ 1,612,741</u> | <u>\$ 7,415,848</u> | <u>\$ 19,805,214</u> |

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

| | Permanent Funds | | | | Total Nonmajor Governmental Funds |
|---|----------------------------|--------------------------|---------------------------|----------------------------|--|
| | Cemetery | Library | Town Welfare/ Other | Subtotal | |
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 1,342,507 | \$ 452,970 | \$ 245,636 | \$ 2,041,113 | \$ 29,762,772 |
| Investments..... | - | - | - | - | 1,303,456 |
| Receivables, net of uncollectibles: | | | | | |
| Departmental and other..... | - | - | - | - | 61,962 |
| Intergovernmental..... | - | - | - | - | 731,991 |
| TOTAL ASSETS..... | <u>\$ 1,342,507</u> | <u>\$ 452,970</u> | <u>\$ 245,636</u> | <u>\$ 2,041,113</u> | <u>\$ 31,860,181</u> |
| LIABILITIES | | | | | |
| Warrants payable..... | \$ - | \$ - | \$ - | \$ - | \$ 1,775,239 |
| Accrued payroll..... | - | - | - | - | 187,702 |
| Due to other funds..... | - | - | - | - | 92,357 |
| Other liabilities..... | - | - | - | - | 191,069 |
| Unearned Revenue..... | - | - | - | - | 174,330 |
| Notes payable..... | - | - | - | - | 3,061,000 |
| TOTAL LIABILITIES..... | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,481,697</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue..... | - | - | - | - | 57,154 |
| FUND BALANCES | | | | | |
| Nonspendable..... | 874,680 | 350,825 | 40,802 | 1,266,307 | 1,266,307 |
| Restricted..... | 467,827 | 102,145 | 204,834 | 774,806 | 25,745,971 |
| Unassigned..... | - | - | - | - | (690,948) |
| TOTAL FUND BALANCES..... | <u>1,342,507</u> | <u>452,970</u> | <u>245,636</u> | <u>2,041,113</u> | <u>26,321,330</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | <u>\$ 1,342,507</u> | <u>\$ 452,970</u> | <u>\$ 245,636</u> | <u>\$ 2,041,113</u> | <u>\$ 31,860,181</u> |

(Concluded)

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

YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | | | | |
|---|----------------------------|----------------------------|-------------------|----------------|---------------------|
| | Town | School | School | COVID-19 | Subtotal |
| | Grants/ Other Revolving | Grants/ Other Revolving | Lunch | Funds | |
| REVENUES: | | | | | |
| Charges for services..... | \$ 943,623 | \$ - | \$ - | \$ - | \$ 943,623 |
| Intergovernmental - School Building Authority..... | - | - | - | - | - |
| Intergovernmental..... | 996,557 | 4,693,995 | 697,322 | - | 6,387,874 |
| Intergovernmental - COVID-19 Relief..... | - | - | - | 406,209 | 406,209 |
| Departmental and other..... | 3,463,809 | 2,406,708 | 1,709,305 | - | 7,579,822 |
| Contributions and donations..... | 36,825 | 14,326 | - | - | 51,151 |
| Investment income..... | 111,131 | - | - | - | 111,131 |
| TOTAL REVENUES..... | 5,551,945 | 7,115,029 | 2,406,627 | 406,209 | 15,479,810 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | 1,218,102 | - | - | - | 1,218,102 |
| Public safety..... | 1,410,592 | - | - | - | 1,410,592 |
| Education..... | - | 6,559,599 | 2,447,232 | - | 9,006,831 |
| Public works..... | 73,507 | - | - | - | 73,507 |
| Public facilities..... | 194,213 | - | - | - | 194,213 |
| Community services..... | 1,839,334 | - | - | - | 1,839,334 |
| Library..... | 52,164 | - | - | - | 52,164 |
| COVID-19..... | - | - | - | 406,209 | 406,209 |
| Capital outlay..... | 57,150 | - | - | - | 57,150 |
| TOTAL EXPENDITURES..... | 4,845,062 | 6,559,599 | 2,447,232 | 406,209 | 14,258,102 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 706,883 | 555,430 | (40,605) | - | 1,221,708 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of bonds..... | - | - | - | - | - |
| Premium from issuance of bonds..... | 1,824 | - | - | - | 1,824 |
| Transfers in..... | - | - | - | - | - |
| Transfers out..... | (778,275) | - | - | - | (778,275) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (776,451) | - | - | - | (776,451) |
| NET CHANGE IN FUND BALANCES..... | (69,568) | 555,430 | (40,605) | - | 445,257 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 4,245,498 | 4,017,105 | 184,276 | - | 8,446,879 |
| FUND BALANCES AT END OF YEAR..... | \$ 4,175,930 | \$ 4,572,535 | \$ 143,671 | \$ - | \$ 8,892,136 |

Capital Project Funds

| Road/ Drainage Projects | Ledge Road Landfill | Conservation | Municipal Buildings | School Projects | Other | Subtotal |
|-------------------------------|------------------------|--------------|------------------------|--------------------|--------------|---------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | 246,352 | 246,352 |
| - | - | - | 150,000 | - | - | 150,000 |
| - | - | - | - | - | - | - |
| - | - | - | 235,296 | - | 3,048 | 238,344 |
| - | - | - | - | - | - | - |
| - | - | - | 385,296 | - | 249,400 | 634,696 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 217,927 | 193,684 | - | 4,866,939 | 466,056 | 7,001,988 | 12,746,594 |
| 217,927 | 193,684 | - | 4,866,939 | 466,056 | 7,001,988 | 12,746,594 |
| (217,927) | (193,684) | - | (4,481,643) | (466,056) | (6,752,588) | (12,111,898) |
| - | - | - | 3,500,000 | 319,000 | 1,054,000 | 4,873,000 |
| - | - | - | - | - | 346,000 | 346,000 |
| - | - | - | 700,000 | - | 4,982,333 | 5,682,333 |
| - | - | - | - | - | - | - |
| - | - | - | 4,200,000 | 319,000 | 6,382,333 | 10,901,333 |
| (217,927) | (193,684) | - | (281,643) | (147,056) | (370,255) | (1,210,565) |
| 1,071,938 | 2,113,641 | 4,153 | 5,219,503 | 1,753,697 | 6,435,714 | 16,598,646 |
| \$ 854,011 | \$ 1,919,957 | \$ 4,153 | \$ 4,937,860 | \$ 1,606,641 | \$ 6,065,459 | \$ 15,388,081 |

(Continued)

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

YEAR ENDED JUNE 30, 2020

| | Permanent Funds | | | | Total Nonmajor Governmental Funds |
|---|---------------------|-------------------|---------------------------|---------------------|--|
| | Cemetery | Library | Town Welfare/ Other | Subtotal | |
| REVENUES: | | | | | |
| Charges for services..... | \$ - | \$ - | \$ - | \$ - | \$ 943,623 |
| Intergovernmental - School Building Authority..... | - | - | - | - | 246,352 |
| Intergovernmental..... | - | - | - | - | 6,537,874 |
| Intergovernmental - COVID-19 Relief..... | - | - | - | - | 406,209 |
| Departmental and other..... | - | - | - | - | 7,579,822 |
| Contributions and donations..... | 21,431 | - | - | 21,431 | 310,926 |
| Investment income..... | 28,716 | 6,969 | 3,773 | 39,458 | 150,589 |
| TOTAL REVENUES..... | 50,147 | 6,969 | 3,773 | 60,889 | 16,175,395 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | - | - | - | - | 1,218,102 |
| Public safety..... | - | - | - | - | 1,410,592 |
| Education..... | - | - | - | - | 9,006,831 |
| Public works..... | 1,530 | - | - | 1,530 | 75,037 |
| Public facilities..... | - | - | - | - | 194,213 |
| Community services..... | - | - | 1,327 | 1,327 | 1,840,661 |
| Library..... | - | 16,546 | - | 16,546 | 68,710 |
| COVID-19..... | - | - | - | - | 406,209 |
| Capital outlay..... | - | - | - | - | 12,803,744 |
| TOTAL EXPENDITURES..... | 1,530 | 16,546 | 1,327 | 19,403 | 27,024,099 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 48,617 | (9,577) | 2,446 | 41,486 | (10,848,704) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Issuance of bonds..... | - | - | - | - | 4,873,000 |
| Premium from issuance of bonds..... | - | - | - | - | 347,824 |
| Transfers in..... | - | - | - | - | 5,682,333 |
| Transfers out..... | - | - | - | - | (778,275) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | - | - | - | 10,124,882 |
| NET CHANGE IN FUND BALANCES..... | 48,617 | (9,577) | 2,446 | 41,486 | (723,822) |
| FUND BALANCES AT BEGINNING OF YEAR..... | 1,293,890 | 462,547 | 243,190 | 1,999,627 | 27,045,152 |
| FUND BALANCES AT END OF YEAR..... | \$ 1,342,507 | \$ 452,970 | \$ 245,636 | \$ 2,041,113 | \$ 26,321,330 |

(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 POSITION

JUNE 30, 2020

| | <u>Insurance</u> | <u>Unemployment Compensation</u> | <u>Health Insurance</u> | <u>Worker's Compensation</u> | <u>Total Internal Service Funds</u> |
|---|-------------------|--------------------------------------|-----------------------------|----------------------------------|---|
| ASSETS | | | | | |
| CURRENT: | | | | | |
| Cash and cash equivalents..... | \$ 107,587 | \$ 380,838 | \$ 10,590,584 | \$ 248,698 | \$ 11,327,707 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Departmental and other..... | - | - | 1,497,572 | - | 1,497,572 |
| TOTAL ASSETS | <u>107,587</u> | <u>380,838</u> | <u>12,088,156</u> | <u>248,698</u> | <u>12,825,279</u> |
| LIABILITIES | | | | | |
| CURRENT: | | | | | |
| Warrants payable..... | - | - | 181,417 | - | 181,417 |
| Health claims payable..... | - | - | 1,825,000 | - | 1,825,000 |
| Other liabilities..... | - | - | 437,284 | - | 437,284 |
| Workers' compensation..... | - | - | - | 32,000 | 32,000 |
| Total current liabilities..... | - | - | <u>2,443,701</u> | <u>32,000</u> | <u>2,475,701</u> |
| NONCURRENT: | | | | | |
| Workers' compensation..... | - | - | - | 291,000 | 291,000 |
| TOTAL LIABILITIES | - | - | <u>2,443,701</u> | <u>323,000</u> | <u>2,766,701</u> |
| NET POSITION | | | | | |
| Unrestricted..... | \$ <u>107,587</u> | \$ <u>380,838</u> | \$ <u>9,644,455</u> | \$ <u>(74,302)</u> | \$ <u>10,058,578</u> |

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

| | <u>Insurance</u> | <u>Unemployment Compensation</u> | <u>Health Insurance</u> | <u>Worker's Compensation</u> | <u>Total Internal Service Funds</u> |
|---|-------------------|--------------------------------------|-----------------------------|----------------------------------|---|
| OPERATING REVENUES: | | | | | |
| Employee contributions..... | \$ - | \$ - | \$ 7,876,200 | \$ - | \$ 7,876,200 |
| Employer contributions..... | - | - | 21,628,728 | 51,134 | 21,679,862 |
| TOTAL OPERATING REVENUES | - | - | 29,504,928 | 51,134 | 29,556,062 |
| OPERATING EXPENSES: | | | | | |
| Property and liability insurance..... | 9,233 | - | - | - | 9,233 |
| Employee benefits..... | - | - | 24,987,992 | 224,000 | 25,211,992 |
| TOTAL OPERATING EXPENSES..... | 9,233 | - | 24,987,992 | 224,000 | 25,221,225 |
| OPERATING INCOME..... | (9,233) | - | 4,516,936 | (172,866) | 4,334,837 |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Investment income..... | 1,829 | 6,274 | 65,011 | - | 73,114 |
| CHANGE IN NET POSITION..... | (7,404) | 6,274 | 4,581,947 | (172,866) | 4,407,951 |
| NET POSITION AT BEGINNING OF YEAR..... | 114,991 | 374,564 | 5,062,508 | 98,564 | 5,650,627 |
| NET POSITION AT END OF YEAR..... | \$ 107,587 | \$ 380,838 | \$ 9,644,455 | \$ (74,302) | \$ 10,058,578 |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

| | Insurance | Unemployment Compensation | Health Insurance | Worker's Compensation | Total |
|--|-------------------|------------------------------|----------------------|--------------------------|----------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | | |
| Receipts from customers and users..... | \$ - | \$ - | \$ 7,876,200 | \$ - | \$ 7,876,200 |
| Receipts from interfund services provided..... | - | - | 20,373,615 | 51,134 | 20,424,749 |
| Payments to vendors..... | (9,233) | - | - | - | (9,233) |
| Payments for interfund services used..... | - | - | (25,717,085) | - | (25,717,085) |
| NET CASH FROM OPERATING ACTIVITIES..... | (9,233) | - | 2,532,730 | 51,134 | 2,574,631 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | | |
| Investment income..... | 1,829 | 6,274 | 65,011 | - | 73,114 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (7,404) | 6,274 | 2,597,741 | 51,134 | 2,647,745 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR... | 114,991 | 374,564 | 7,992,843 | 197,564 | 8,679,962 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 107,587 | \$ 380,838 | \$ 10,590,584 | \$ 248,698 | \$ 11,327,707 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS)</u> | | | | | |
| <u>TO NET CASH FROM OPERATING ACTIVITIES:</u> | | | | | |
| Operating income (loss)..... | \$ (9,233) | \$ - | \$ 4,516,936 | \$ (172,866) | \$ 4,334,837 |
| Adjustments to reconcile operating income to net Changes in assets and liabilities: | | | | | |
| Departmental and other..... | - | - | (1,255,113) | - | (1,255,113) |
| Warrants payable..... | - | - | (486,495) | - | (486,495) |
| Health claims payable..... | - | - | (87,000) | - | (87,000) |
| Other liabilities..... | - | - | (155,598) | - | (155,598) |
| Workers' compensation..... | - | - | - | 224,000 | 224,000 |
| Total adjustments..... | - | - | (1,984,206) | 224,000 | (1,760,206) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ (9,233) | \$ - | \$ 2,532,730 | \$ 51,134 | \$ 2,574,631 |

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2020

| | June 30, 2019 | Additions | Deletions | June 30, 2020 |
|---------------------------------|---------------------|---------------------|-----------------------|---------------------|
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ <u>1,173,123</u> | \$ <u>1,020,108</u> | \$ <u>(1,062,056)</u> | \$ <u>1,131,175</u> |
| LIABILITIES | | | | |
| Liabilities due depositors..... | \$ <u>1,173,123</u> | \$ <u>1,020,108</u> | \$ <u>(1,062,056)</u> | \$ <u>1,131,175</u> |

Statistical Section



Fosters Pond



Andover Historic Mill District

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.

Net Position By Component

Last Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|-------------------------|-------------------------|------------------------|------------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets..... | \$ 93,315,362 | \$ 97,503,961 | \$ 104,403,021 | \$ 113,445,872 | \$ 113,175,340 | \$ 119,176,309 | \$ 117,289,661 | \$ 114,397,564 | \$ 118,786,722 | \$ 120,784,434 |
| Restricted..... | 3,976,293 | 6,194,838 | 9,250,406 | 10,224,044 | 10,051,326 | 8,492,277 | 8,921,380 | 9,181,609 | 10,983,413 | 11,300,312 |
| Unrestricted..... | (33,596,579) | (42,544,729) | (46,622,291) | (49,559,677) | (151,227,241) | (174,133,075) | (229,559,125) | (238,349,204) | (227,610,160) | (231,694,365) |
| Total governmental activities net position..... | \$ 63,695,076 | \$ 61,154,070 | \$ 67,031,136 | \$ 74,110,239 | \$ (28,000,575) | \$ (46,464,489) | \$ (103,348,084) | \$ (114,770,031) | \$ (97,840,025) | \$ (99,609,619) |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets..... | \$ 47,534,459 | \$ 46,353,252 | \$ 45,822,689 | \$ 45,559,159 | \$ 44,188,974 | \$ 42,788,461 | \$ 44,110,580 | \$ 42,038,002 | \$ 43,602,463 | \$ 46,240,734 |
| Unrestricted..... | 18,241,146 | 18,385,626 | 18,388,810 | 18,186,228 | 15,331,376 | 15,734,929 | 6,164,961 | 7,323,154 | 5,742,840 | 2,811,762 |
| Total business-type activities net position..... | \$ 65,775,605 | \$ 64,738,878 | \$ 64,211,499 | \$ 63,745,387 | \$ 59,520,350 | \$ 58,523,390 | \$ 50,275,541 | \$ 49,361,156 | \$ 49,345,303 | \$ 49,052,496 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets..... | \$ 140,849,821 | \$ 143,857,213 | \$ 150,225,710 | \$ 159,005,031 | \$ 157,364,314 | \$ 161,964,770 | \$ 161,400,241 | \$ 156,435,566 | \$ 162,389,185 | \$ 167,025,168 |
| Restricted..... | 3,976,293 | 6,194,838 | 9,250,406 | 10,224,044 | 10,051,326 | 8,492,277 | 8,921,380 | 9,181,609 | 10,983,413 | 11,300,312 |
| Unrestricted..... | (15,355,433) | (24,159,103) | (28,233,481) | (31,373,449) | (135,895,865) | (158,398,146) | (223,394,164) | (231,026,050) | (221,867,320) | (228,882,603) |
| Total primary government net position..... | \$ 129,470,681 | \$ 125,892,948 | \$ 131,242,635 | \$ 137,855,626 | \$ 31,519,775 | \$ 12,058,901 | \$ (53,072,543) | \$ (65,408,875) | \$ (48,494,722) | \$ (50,557,123) |
| | | | | | (A) | | (B) | | | |

(A) 2015 and subsequent years reflect the implementation of GASB 68.

(B) 2017 and subsequent years reflect the implementation of GASB 75.

Changes in Net Position

Last Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government..... | \$ 7,243,947 | \$ 9,005,184 | \$ 9,461,933 | \$ 10,133,951 | \$ 11,356,864 | \$ 13,441,576 | \$ 14,410,788 | \$ 14,257,548 | \$ 15,142,631 | \$ 15,353,486 |
| Public safety..... | 21,289,440 | 20,862,977 | 21,202,823 | 21,795,686 | 25,090,468 | 28,947,658 | 29,471,772 | 31,300,955 | 30,810,933 | 30,274,085 |
| Education..... | 109,674,533 | 110,230,609 | 111,204,625 | 115,158,937 | 112,779,199 | 126,990,371 | 132,222,941 | 137,718,100 | 134,040,164 | 144,304,602 |
| Public works..... | - | - | - | - | - | - | - | - | 10,880,271 | 13,339,464 |
| Public facilities..... | - | - | - | - | - | - | - | - | 7,410,129 | 7,573,021 |
| Municipal services..... | 13,356,760 | 12,388,398 | 13,942,874 | 14,218,102 | 13,146,807 | 19,300,095 | 22,362,301 | 20,462,938 | - | - |
| Community services..... | 3,473,959 | 3,547,165 | 3,484,284 | 3,574,827 | 3,857,449 | 4,690,932 | 4,720,122 | 5,200,282 | 5,778,428 | 5,485,241 |
| Library..... | 3,981,093 | 3,308,590 | 3,270,652 | 3,388,768 | 3,948,793 | 4,704,562 | 4,662,189 | 4,629,860 | 4,392,675 | 4,396,524 |
| Claims and judgments..... | - | - | - | - | - | - | - | - | 13,500 | - |
| COVID-19..... | - | - | - | - | - | - | - | - | - | 406,209 |
| Interest..... | 1,733,882 | 1,813,401 | 2,180,097 | 2,102,376 | 2,675,387 | 2,239,673 | 2,044,006 | 1,893,346 | 2,540,131 | 2,660,557 |
| Total government activities expenses..... | 160,753,614 | 161,156,324 | 164,747,288 | 170,372,647 | 172,854,967 | 200,314,867 | 209,894,119 | 215,463,029 | 211,008,862 | 223,793,189 |
| Business-type activities: | | | | | | | | | | |
| Water..... | 7,389,781 | 7,641,864 | 7,466,053 | 8,131,905 | 7,746,482 | 9,103,219 | 9,065,449 | 10,160,951 | 9,205,318 | 10,259,115 |
| Sewer..... | 4,919,891 | 4,614,480 | 4,599,787 | 4,221,701 | 4,538,357 | 4,531,114 | 4,533,507 | 5,010,158 | 4,583,488 | 4,626,081 |
| Total business-type activities expenses..... | 12,309,672 | 12,256,344 | 12,065,840 | 12,353,606 | 12,284,839 | 13,634,333 | 13,598,956 | 15,171,109 | 13,788,806 | 14,885,196 |
| Total primary government expenses..... | \$ 173,063,286 | \$ 173,412,668 | \$ 176,813,128 | \$ 182,726,253 | \$ 185,139,806 | \$ 213,949,200 | \$ 223,493,075 | \$ 230,634,138 | \$ 224,797,668 | \$ 238,678,385 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public safety charges for services..... | \$ 3,649,023 | \$ 4,179,923 | \$ 5,376,825 | \$ 4,879,683 | \$ 5,855,804 | \$ 6,359,841 | \$ 6,528,322 | \$ 6,515,366 | \$ 6,412,569 | \$ 5,799,890 |
| Education charges for services..... | 4,447,671 | 4,406,316 | 4,533,644 | 4,594,367 | 4,880,144 | 5,084,499 | 5,153,935 | 5,127,469 | 5,590,885 | 4,234,692 |
| Other charges for services..... | 2,980,246 | 3,263,775 | 3,017,848 | 3,197,405 | 3,152,353 | 3,233,071 | 3,401,970 | 4,121,952 | 4,276,929 | 3,629,582 |
| Education operating grants and contributions..... | 24,783,904 | 25,611,406 | 26,139,620 | 26,031,266 | 21,636,186 | 26,598,021 | 31,436,564 | 33,435,322 | 33,838,320 | 40,029,101 |
| Other operating grants and contributions..... | 1,759,998 | 1,607,599 | 1,191,156 | 1,438,710 | 1,648,198 | 1,357,650 | 1,866,468 | 2,160,016 | 1,711,092 | 2,639,112 |
| COVID-19 operating grants and contributions..... | - | - | - | - | - | - | - | - | - | 406,209 |
| General government capital grant and contributions..... | 259,600 | - | - | - | - | - | - | - | - | - |
| Municipal services capital grant and contributions..... | 1,378,068 | - | 1,553,595 | 1,774,179 | 977,093 | 1,626,204 | 3,016,120 | 1,452,390 | 342,764 | 1,487,737 |
| Education capital grant and contributions..... | - | - | 7,690,079 | 7,013,590 | - | - | - | 1,104,315 | - | 246,352 |
| Other capital grant and contributions..... | - | 2,310,588 | 458,700 | 1,984,863 | 712,064 | 227,501 | 37,233 | 33,144 | 30,231 | 415,296 |
| Total government activities program revenues..... | 39,258,510 | 41,379,607 | 49,961,467 | 50,914,063 | 38,861,842 | 44,486,787 | 51,440,612 | 53,949,974 | 52,202,790 | 58,887,971 |
| Business-type activities: | | | | | | | | | | |
| Water charges for services..... | 7,539,658 | 6,974,207 | 7,244,362 | 7,405,049 | 7,723,468 | 8,248,851 | 8,614,491 | 9,242,742 | 8,706,157 | 9,617,768 |
| Sewer charges for services..... | 3,995,288 | 4,236,585 | 4,241,515 | 4,457,073 | 4,099,900 | 4,354,327 | 4,625,827 | 4,684,118 | 4,933,904 | 4,855,191 |
| Other capital grant and contributions..... | 41,759 | - | 42,339 | - | 20,000 | - | - | 247,000 | - | - |
| Total business-type activities program revenues..... | 11,576,705 | 11,210,792 | 11,528,216 | 11,862,122 | 11,843,368 | 12,603,178 | 13,240,318 | 14,173,860 | 13,640,061 | 14,472,959 |
| Total primary government program revenues..... | \$ 50,835,215 | \$ 52,590,399 | \$ 61,489,683 | \$ 62,776,185 | \$ 50,705,210 | \$ 57,089,965 | \$ 64,680,930 | \$ 68,123,834 | \$ 65,842,851 | \$ 73,360,930 |
| Net (Expense)/Program Revenue | | | | | | | | | | |
| Governmental activities..... | \$ (121,495,104) | \$ (119,776,717) | \$ (114,785,821) | \$ (119,458,584) | \$ (133,993,125) | \$ (155,828,080) | \$ (158,453,507) | \$ (161,513,055) | \$ (158,806,072) | \$ (164,905,218) |
| Business-type activities..... | (732,967) | (1,045,552) | (537,624) | (491,484) | (441,471) | (1,031,155) | (358,638) | (997,249) | (148,745) | (412,237) |
| Total primary government net (expense)/program revenue..... | \$ (122,228,071) | \$ (120,822,269) | \$ (115,323,445) | \$ (119,950,068) | \$ (134,434,596) | \$ (156,859,235) | \$ (158,812,145) | \$ (162,510,304) | \$ (158,954,817) | \$ (165,317,455) |

(continued)

Changes in Net Position

Last Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|
| General Revenues and other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | \$ 103,594,344 | \$ 107,658,022 | \$ 110,652,457 | \$ 116,416,632 | \$ 120,794,299 | \$ 126,409,719 | \$ 133,419,328 | \$ 138,291,617 | \$ 144,265,717 | \$ 150,700,501 |
| Tax liens..... | 352,839 | 231,426 | 420,138 | 127,902 | 761,023 | 33,265 | 331,830 | 324,654 | 678,899 | 369,683 |
| Motor vehicle excise taxes..... | 4,722,659 | 4,530,897 | 4,903,920 | 4,970,746 | 5,124,285 | 5,582,946 | 5,880,582 | 5,932,927 | 6,115,370 | 5,949,352 |
| Hotel/motel tax..... | 1,288,661 | 1,353,137 | 1,526,835 | 1,496,945 | 1,722,509 | 1,747,841 | 2,004,253 | 1,995,058 | 2,360,307 | 1,807,513 |
| Meals tax..... | 478,403 | 517,177 | 547,235 | 506,658 | 545,489 | 570,252 | 583,007 | 621,317 | 622,132 | 601,416 |
| Penalties and interest on taxes..... | 409,888 | 416,902 | 298,550 | 554,802 | 461,456 | 400,186 | 417,131 | 337,580 | 572,136 | 557,100 |
| Grants and contributions not restricted to specific programs..... | 2,070,906 | 2,005,649 | 2,099,507 | 2,193,507 | 2,229,911 | 2,286,196 | 2,365,532 | 2,034,338 | 2,099,148 | 2,126,802 |
| Unrestricted investment income..... | 315,873 | 273,240 | 74,364 | 164,538 | 230,715 | 264,490 | 232,297 | 553,617 | 1,348,115 | 1,467,663 |
| Miscellaneous..... | 217,576 | 249,261 | 139,881 | 105,957 | 71,919 | 69,271 | 49,925 | - | - | - |
| Extraordinary Items: | | | | | | | | | | |
| Gas disaster settlement funds..... | - | - | - | - | - | - | - | - | 19,381,109 | 41,478 |
| Gas disaster expenses..... | - | - | - | - | - | - | - | - | (1,706,855) | (485,884) |
| Total governmental activities..... | 113,451,149 | 117,235,711 | 120,662,887 | 126,537,687 | 131,941,606 | 137,364,166 | 145,283,885 | 150,091,108 | 175,736,078 | 163,135,624 |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment income..... | 9,521 | 8,825 | 10,245 | 25,372 | 31,733 | 34,195 | 48,981 | 82,864 | 132,892 | 119,430 |
| Total primary government general revenues and other changes in net position..... | \$ 113,460,670 | \$ 117,244,536 | \$ 120,673,132 | \$ 126,563,059 | \$ 131,973,339 | \$ 137,398,361 | \$ 145,332,866 | \$ 150,173,972 | \$ 175,868,970 | \$ 163,255,054 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities..... | \$ (8,043,955) | \$ (2,541,006) | \$ 5,877,066 | \$ 7,079,103 | \$ (2,051,519) | \$ (18,463,914) | \$ (13,169,622) | \$ (11,421,947) | \$ 16,930,006 | \$ (1,769,594) |
| Business-type activities..... | (723,446) | (1,036,727) | (527,379) | (466,112) | (409,738) | (996,960) | (309,657) | (914,385) | (15,853) | (292,807) |
| Total primary government changes in net position..... | \$ (8,767,401) | \$ (3,577,733) | \$ 5,349,687 | \$ 6,612,991 | \$ (2,461,257) | \$ (19,460,874) | \$ (13,479,279) | \$ (12,336,332) | \$ 16,914,153 | \$ (2,062,401) |

* In fiscal 2019, the Town separated its municipal services department forming a public works department and public facilities department.

(concluded)

Fund Balances, Governmental Funds

Last Ten Years

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | | | | | | | | | | |
| Restricted..... | \$ - | \$ - | \$ 1,092,228 | \$ 978,024 | \$ 877,138 | \$ 782,526 | \$ 693,100 | \$ 608,191 | \$ 529,791 | \$ 453,580 |
| Committed..... | 13,999 | 13,999 | 100,734 | 2,354,757 | 5,132,811 | 2,166,450 | 2,020,002 | 1,934,625 | 1,250,674 | 1,189,420 |
| Assigned..... | 817,053 | 2,197,122 | 1,181,371 | 1,049,914 | 1,176,478 | 1,470,172 | 1,361,449 | 1,340,429 | 1,194,620 | 1,490,233 |
| Unassigned..... | <u>8,106,788</u> | <u>10,772,493</u> | <u>12,715,770</u> | <u>14,603,525</u> | <u>12,835,260</u> | <u>12,952,202</u> | <u>17,826,724</u> | <u>17,887,242</u> | <u>18,495,850</u> | <u>22,723,426</u> |
| Total general fund..... | <u>\$ 8,937,840</u> | <u>\$ 12,983,614</u> | <u>\$ 15,090,103</u> | <u>\$ 18,986,220</u> | <u>\$ 20,021,687</u> | <u>\$ 17,371,350</u> | <u>\$ 21,901,275</u> | <u>\$ 21,770,487</u> | <u>\$ 21,470,935</u> | <u>\$ 25,856,659</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable..... | \$ 1,259,811 | \$ 1,274,750 | \$ 1,278,486 | \$ 1,261,738 | \$ 1,268,347 | \$ 1,280,783 | \$ 1,286,034 | \$ 1,315,354 | \$ 1,293,426 | \$ 1,266,307 |
| Restricted..... | 8,296,921 | 13,319,927 | 19,275,015 | 22,692,841 | 18,046,721 | 20,068,946 | 16,376,243 | 22,607,870 | 43,363,411 | 39,717,942 |
| Unassigned..... | <u>-</u> | <u>(2,174,741)</u> | <u>-</u> | <u>-</u> | <u>(114,313)</u> | <u>-</u> | <u>-</u> | <u>(266,464)</u> | <u>-</u> | <u>(690,948)</u> |
| Total all other governmental funds..... | <u>\$ 9,556,732</u> | <u>\$ 12,419,936</u> | <u>\$ 20,553,501</u> | <u>\$ 23,954,579</u> | <u>\$ 19,200,755</u> | <u>\$ 21,349,729</u> | <u>\$ 17,662,277</u> | <u>\$ 23,656,760</u> | <u>\$ 44,656,837</u> | <u>\$ 40,293,301</u> |

Changes in Fund Balances, Governmental Funds

Last Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------------------|---------------------|----------------------|---------------------|-----------------------|---------------------|--------------------|---------------------|----------------------|--------------------|
| Revenues: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 103,357,190 | \$ 107,820,244 | \$ 110,384,336 | \$ 116,681,066 | \$ 121,034,570 | \$ 126,180,460 | \$ 133,498,869 | \$ 138,082,006 | \$ 144,045,522 | \$ 150,883,719 |
| Motor vehicle and other excise taxes..... | 5,877,675 | 5,824,833 | 4,745,068 | 5,082,290 | 5,165,789 | 5,700,798 | 5,861,936 | 5,836,628 | 6,176,998 | 5,962,010 |
| Intergovernmental..... | 30,178,437 | 33,649,963 | 36,439,032 | 37,628,417 | 30,126,642 | 32,495,810 | 37,605,820 | 38,349,896 | 40,531,158 | 45,762,558 |
| Intergovernmental - COVID-19 Relief..... | - | - | - | - | - | - | - | - | - | 406,209 |
| Departmental and other..... | 13,073,732 | 14,524,170 | 16,343,246 | 18,403,347 | 18,312,668 | 18,377,257 | 19,100,583 | 19,278,630 | 20,512,027 | 18,289,466 |
| Interest income..... | 350,374 | 306,101 | 52,399 | 202,101 | 211,262 | 254,575 | 199,876 | 532,246 | 1,291,584 | 1,394,549 |
| Total Revenue..... | 152,837,408 | 162,125,311 | 167,964,081 | 177,997,221 | 174,850,931 | 183,008,900 | 196,267,084 | 202,079,406 | 212,557,289 | 222,698,511 |
| Expenditures: | | | | | | | | | | |
| General government..... | 4,926,017 | 6,564,652 | 7,103,931 | 7,323,954 | 7,344,861 | 7,914,464 | 8,563,816 | 8,906,509 | 8,782,567 | 9,345,043 |
| Public safety..... | 15,740,379 | 15,373,742 | 15,961,083 | 16,120,879 | 17,467,921 | 17,420,495 | 17,320,298 | 19,043,736 | 19,107,218 | 18,785,567 |
| Education..... | 72,239,103 | 71,201,775 | 75,342,685 | 78,345,911 | 80,699,104 | 83,170,976 | 87,289,023 | 90,118,954 | 92,626,935 | 95,272,476 |
| Public works..... | - | - | - | - | - | - | - | - | 9,867,616 | * 10,311,374 |
| Public facilities..... | - | - | - | - | - | - | - | - | 3,379,317 | * 3,191,994 |
| Municipal services..... | 10,885,100 | 11,227,120 | 11,005,407 | 10,986,859 | 13,161,484 | 11,071,883 | 13,768,109 | 13,503,004 | - | * - |
| Community services..... | 2,767,944 | 2,874,439 | 2,972,973 | 2,893,483 | 3,042,960 | 3,400,352 | 3,296,991 | 3,701,839 | 4,071,541 | 4,005,957 |
| Library..... | 2,656,682 | 2,547,398 | 2,532,582 | 2,558,449 | 2,626,027 | 2,864,208 | 2,705,611 | 2,786,809 | 2,810,728 | 2,752,755 |
| COVID-19..... | - | - | - | - | - | - | - | - | - | 406,209 |
| Pension benefits..... | 15,928,980 | 17,217,084 | 18,298,372 | 18,696,325 | 14,130,520 | 20,014,421 | 24,870,902 | 26,656,120 | 27,887,605 | 33,863,458 |
| Property and liability insurance..... | 734,996 | 827,013 | 717,613 | 777,873 | 775,186 | 733,618 | 1,184,199 | 884,567 | 1,370,444 | 1,064,473 |
| Employee benefits..... | 14,834,385 | 14,808,947 | 13,908,127 | 15,274,878 | 17,370,998 | 17,420,680 | 19,024,326 | 20,357,485 | 21,873,978 | 22,642,514 |
| Claims and judgments..... | - | - | - | - | - | - | - | - | 13,500 | - |
| State and county charges..... | 2,860,658 | 2,433,163 | 2,468,820 | 2,817,601 | 756,777 | 649,170 | 598,992 | 680,010 | 831,295 | 769,672 |
| Capital outlay..... | 7,213,849 | 7,729,883 | 22,004,956 | 32,305,218 | 15,698,468 | 10,784,487 | 9,513,804 | 20,182,677 | 14,392,709 | 12,803,744 |
| Debt service: | | | | | | | | | | |
| Principal..... | 5,865,696 | 6,194,000 | 5,813,900 | 6,744,500 | 7,753,500 | 8,096,050 | 7,097,104 | 6,637,898 | 6,901,604 | 7,014,124 |
| Interest..... | 1,642,841 | 1,847,422 | 1,871,364 | 2,296,280 | 2,999,136 | 2,895,359 | 2,529,536 | 2,361,998 | 2,969,794 | 3,373,838 |
| Total Expenditures..... | 158,296,630 | 160,846,638 | 180,001,813 | 197,142,210 | 183,826,942 | 186,436,163 | 197,762,711 | 215,821,606 | 216,886,851 | 225,603,198 |
| Excess of revenues over (under) expenditures..... | (5,459,222) | 1,278,673 | (12,037,732) | (19,144,989) | (8,976,011) | (3,427,263) | (1,495,627) | (13,742,200) | (4,329,562) | (2,904,687) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of bonds and notes..... | 6,750,000 | 5,366,000 | 20,555,000 | 24,242,000 | 4,990,000 | 2,925,900 | 2,123,300 | 18,743,100 | 6,585,000 | 4,873,000 |
| Issuance of refunding bonds..... | - | 4,564,700 | 3,423,300 | - | - | - | - | - | - | - |
| Premium from issuance of bonds..... | - | 239,602 | 1,657,247 | 2,200,184 | 267,654 | - | 214,800 | 430,123 | 770,833 | 347,824 |
| Premium from issuance of refunding bonds..... | - | 446,698 | 599,483 | - | - | - | - | - | - | - |
| Capital lease financing..... | - | - | - | - | - | - | - | 432,672 | - | - |
| Payments to refunded bond escrow agent..... | - | (4,986,695) | (3,957,244) | - | - | - | - | - | - | - |
| Transfers in..... | 1,983,683 | 1,602,664 | 3,360,800 | 4,858,735 | 4,335,344 | 10,187,387 | 6,593,061 | 6,331,529 | 9,247,389 | 6,087,738 |
| Transfers out..... | (1,983,683) | (1,602,664) | (3,360,800) | (4,858,735) | (4,335,344) | (10,187,387) | (6,593,061) | (6,331,529) | (9,247,389) | (6,087,738) |
| Total other financing sources (uses)..... | 6,750,000 | 5,630,305 | 22,277,786 | 26,442,184 | 5,257,654 | 2,925,900 | 2,338,100 | 19,605,895 | 7,355,833 | 5,220,824 |
| Extraordinary Items: | | | | | | | | | | |
| Gas disaster settlement funds..... | - | - | - | - | - | - | - | - | 19,381,109 | 41,478 |
| Gas disaster expenses..... | - | - | - | - | - | - | - | - | (1,706,855) | (2,335,427) |
| | - | - | - | - | - | - | - | - | 17,674,254 | (2,293,949) |
| Net change in fund balance..... | \$ 1,290,778 | \$ 6,908,978 | \$ 10,240,054 | \$ 7,297,195 | \$ (3,718,357) | \$ (501,363) | \$ 842,473 | \$ 5,863,695 | \$ 20,700,525 | \$ 22,188 |
| Debt service as a percentage of noncapital expenditures.. | 4.99% | 5.34% | 4.89% | 5.49% | 6.36% | 6.19% | 5.05% | 4.54% | 4.82% | 4.87% |

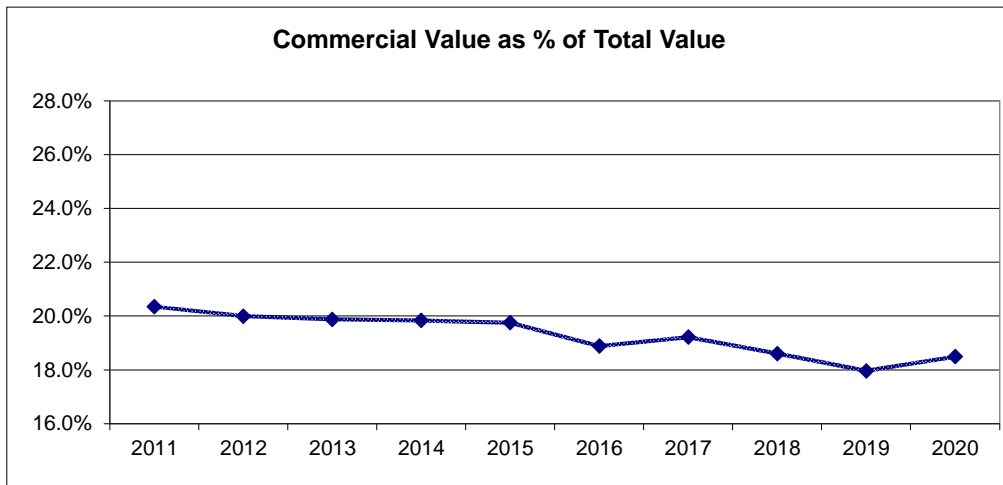
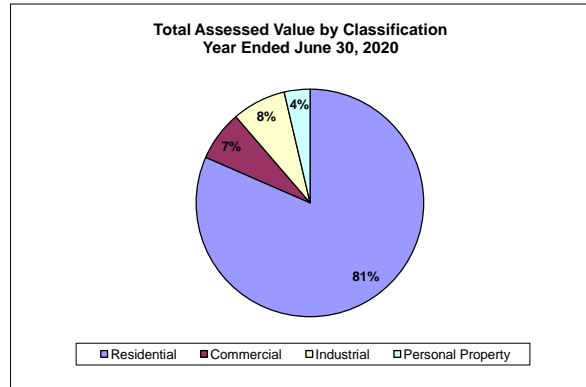
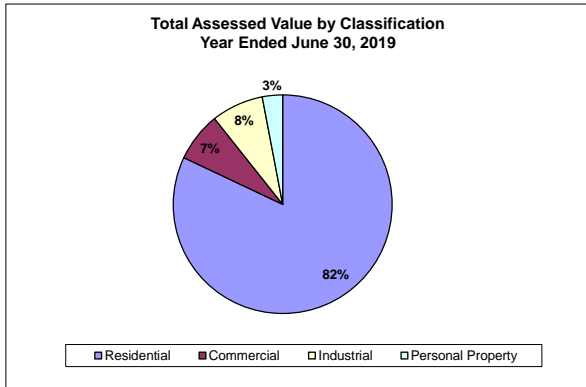
Notes:

* In fiscal 2019, the Town separated its municipal services department forming a public works department and public facilities department.

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

Last Ten Years

| Year | Assessed and Actual Values and Tax Rates | | | | | | | | |
|----------|--|--|---------------------|---------------------|----------------------|------------------------------|------------------------|-------------------------|------------------------|
| | Residential/ Open Space Value | Residential/ Open Space Tax Rate | Commercial Value | Industrial Value | Personal Property | Total Commercial Value | Commercial Tax Rate | Total Direct Rate | Total Town Value |
| 2011 | \$ 5,269,717,961 | \$ 14.12 | \$ 552,946,894 | \$ 592,561,900 | \$ 201,324,807 | \$ 1,346,833,601 | \$ 22.46 | \$ 15.82 | \$ 6,616,551,562 |
| 2012 (1) | \$ 5,438,632,321 | \$ 14.15 | \$ 547,695,778 | \$ 578,692,200 | \$ 233,484,947 | \$ 1,359,872,925 | \$ 23.54 | \$ 16.03 | \$ 6,798,505,246 |
| 2013 | \$ 5,450,304,845 | \$ 14.51 | \$ 544,010,554 | \$ 574,064,300 | \$ 234,340,227 | \$ 1,352,415,081 | \$ 24.26 | \$ 16.45 | \$ 6,802,719,926 |
| 2014 | \$ 5,483,302,185 | \$ 15.18 | \$ 541,616,314 | \$ 578,490,500 | \$ 237,117,137 | \$ 1,357,223,951 | \$ 25.25 | \$ 17.18 | \$ 6,840,526,136 |
| 2015 (1) | \$ 5,801,226,330 | \$ 14.97 | \$ 580,548,306 | \$ 601,623,300 | \$ 246,548,798 | \$ 1,428,720,404 | \$ 24.77 | \$ 16.91 | \$ 7,229,946,734 |
| 2016 | \$ 6,117,465,085 | \$ 14.82 | \$ 573,623,228 | \$ 603,476,100 | \$ 247,911,769 | \$ 1,425,011,097 | \$ 25.99 | \$ 16.93 | \$ 7,542,476,182 |
| 2017 | \$ 6,191,555,580 | \$ 15.18 | \$ 577,433,480 | \$ 601,695,200 | \$ 294,625,929 | \$ 1,473,754,609 | \$ 26.46 | \$ 17.35 | \$ 7,665,310,189 |
| 2018 | \$ 6,347,884,255 | \$ 15.64 | \$ 588,216,151 | \$ 608,062,200 | \$ 255,067,239 | \$ 1,451,345,590 | \$ 27.61 | \$ 17.87 | \$ 7,799,229,845 |
| 2019 | \$ 6,825,956,695 | \$ 15.27 | \$ 605,393,222 | \$ 639,205,100 | \$ 250,782,409 | \$ 1,495,380,731 | \$ 27.51 | \$ 17.47 | \$ 8,321,337,426 |
| 2020 (1) | \$ 7,175,327,051 | \$ 15.01 | \$ 629,857,515 | \$ 674,985,400 | \$ 318,839,379 | \$ 1,623,682,294 | \$ 27.14 | \$ 17.25 | \$ 8,799,009,345 |



(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

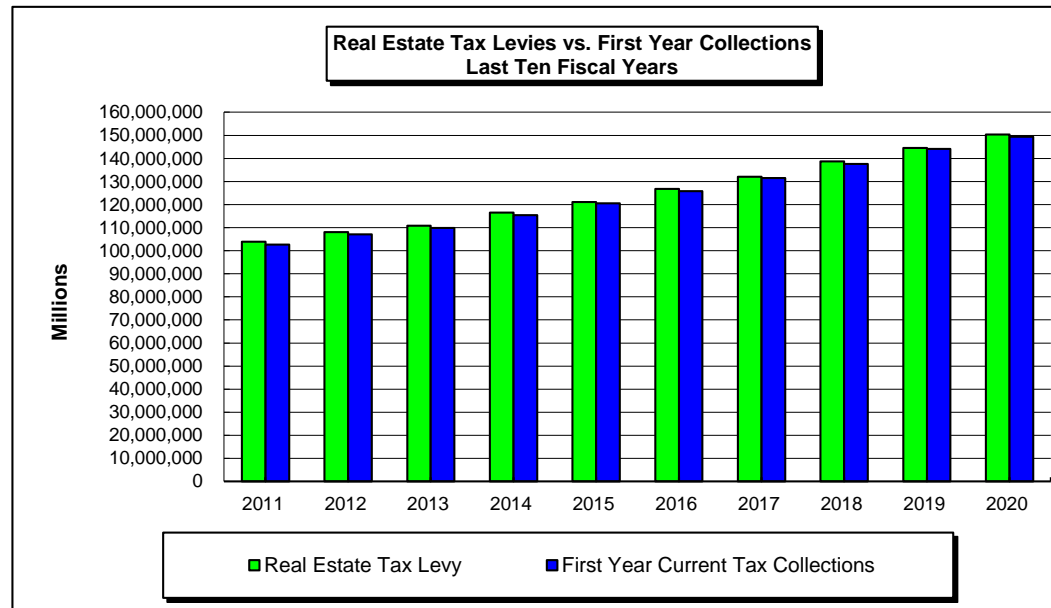
| Name | Property Type | 2020 | | | 2011 | | |
|--|------------------------|----------------------|------|--|----------------------|------|--|
| | | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
| Genetics Institute, Inc (Pfizer) | Industrial | \$ 90,710,500 | 1 | 1.03% | \$ 79,845,400 | 1 | 1.21% |
| Columbia Gas of Massachusetts | Personal Property | \$ 86,386,940 | 2 | 0.98% | \$ - | - | - |
| Raytheon Company | Industrial/Residential | \$ 77,744,850 | 3 | 0.88% | \$ 61,299,850 | 4 | 0.93% |
| Whetstone | Commercial/Industrial | \$ 75,193,800 | 4 | 0.85% | \$ - | - | - |
| New Brickstone Office LLC | Office | \$ 66,276,000 | 5 | 0.75% | \$ - | - | - |
| Atlantic-Minuteman Realty, LLC | Research & Development | \$ 55,582,400 | 6 | 0.63% | \$ - | - | - |
| Hewlett Packard Enterprise Co. | Industrial/Residential | \$ 49,542,470 | 7 | 0.56% | \$ - | - | - |
| Mass Electric Co | Industrial/Utility | \$ 44,487,710 | 8 | 0.51% | \$ - | - | - |
| Schneider Electric Buildings LLC | Research & Development | \$ 38,602,300 | 9 | 0.44% | \$ - | - | - |
| Eisai Research Institute | Commercial/Industrial | \$ 36,797,940 | 10 | 0.42% | \$ 73,148,030 | 2 | 1.11% |
| Transwestern Brickstone Square LLC (Andover Mills) | Commercial/Industrial | \$ - | - | - | \$ 73,062,530 | 3 | 1.10% |
| Phillips Corporation | Industrial | \$ - | - | - | \$ 50,648,500 | 5 | 0.77% |
| RREEF America REIT III Corp ZI | Commercial/Industrial | \$ - | - | - | \$ 47,015,300 | 6 | 0.71% |
| Verizon New England | Commercial/Utility | \$ - | - | - | \$ 44,862,900 | 7 | 0.68% |
| CA Investment Trust | Residential/Commercial | \$ - | - | - | \$ 43,531,160 | 8 | 0.66% |
| One Hundred Minuteman LLC | Industrial | \$ - | - | - | \$ 39,907,600 | 9 | 0.60% |
| Proctor & Gamble | Industrial | \$ - | - | - | \$ 36,761,300 | 10 | 0.56% |
| | Totals | <u>\$621,324,910</u> | | <u>7.06%</u> | <u>\$550,082,570</u> | | <u>8.31%</u> |

Source: Official Statement for Sale of Bonds

Property Tax Levies and Collections

Last Ten Years

| Year | (2) Total Tax Levy | Less Abatements & Exemptions | (2) Net Tax Levy | First Year Current Tax Collections | Percent of Net Levy Collected | Delinquent Tax Collections | Total Tax Collections | (3) Percent of Total Tax Collections to Net Tax Levy |
|------|--------------------------|------------------------------------|------------------------|--|-------------------------------------|----------------------------------|-----------------------------|--|
| 2011 | \$ 104,658,300 | \$ 772,521 | \$ 103,885,779 | \$ 102,625,682 | 98.79% | \$ 991,239 | \$ 103,616,921 | 99.74% |
| 2012 | (1) \$ 108,874,156 | \$ 857,191 | \$ 108,016,965 | \$ 107,067,732 | 99.12% | \$ 922,944 | \$ 107,990,676 | 99.98% |
| 2013 | \$ 111,893,513 | \$ 985,564 | \$ 110,907,949 | \$ 109,842,289 | 99.04% | \$ 911,349 | \$ 110,753,638 | 99.86% |
| 2014 | \$ 117,506,432 | \$ 981,734 | \$ 116,524,698 | \$ 115,439,167 | 99.07% | \$ 886,892 | \$ 116,326,059 | 99.83% |
| 2015 | (1) \$ 122,233,763 | \$ 1,159,706 | \$ 121,074,057 | \$ 120,524,220 | 99.55% | \$ 481,603 | \$ 121,005,823 | 99.94% |
| 2016 | \$ 127,696,871 | \$ 871,083 | \$ 126,825,788 | \$ 125,835,396 | 99.22% | \$ 990,392 | \$ 126,825,788 | 100.00% |
| 2017 | \$ 132,983,361 | \$ 907,823 | \$ 132,075,538 | \$ 131,568,459 | 99.62% | \$ 465,443 | \$ 132,033,902 | 99.97% |
| 2018 | \$ 139,352,561 | \$ 591,466 | \$ 138,761,095 | \$ 137,603,164 | 99.17% | \$ 864,146 | \$ 138,467,310 | 99.79% |
| 2019 | \$ 145,370,283 | \$ 830,408 | \$ 144,539,875 | \$ 143,650,782 | 99.38% | \$ 509,725 | \$ 144,160,507 | 99.74% |
| 2020 | (1) \$ 151,611,876 | \$ 1,269,196 | \$ 150,342,680 | \$ 149,459,025 | 99.41% | \$ - | \$ 149,459,025 | 99.41% |



(1) Revaluation year.

(2) Includes tax liens.

Source: Assessor's Department, Town of Andover

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Years

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Levy Limit..... | \$ 104,729,225 | \$ 109,075,475 | \$ 112,609,324 | \$ 117,859,068 | \$ 124,235,546 | \$ 129,300,643 | \$ 134,306,796 | \$ 140,458,434 | \$ 146,503,846 | \$ 154,314,610 |
| Previous Levy..... | 98,313,488 | 101,868,863 | 106,128,017 | 110,260,239 | 114,580,485 | 119,797,141 | 124,996,152 | 130,709,371 | 136,417,582 | 142,600,950 |
| Legal Increase..... | 2,457,837 | 2,546,722 | 2,653,200 | 2,756,506 | 2,864,512 | 2,994,929 | 3,124,904 | 3,267,734 | 3,410,440 | 3,565,024 |
| New Growth..... | 1,097,538 | 1,712,432 | 1,479,022 | 1,563,740 | 2,352,143 | 2,204,083 | 2,588,316 | 2,440,476 | 2,772,929 | 4,365,647 |
| Debt Exclusion..... | 2,860,362 | 2,947,458 | 2,349,085 | 3,278,583 | 4,438,406 | 4,304,490 | 3,597,424 | 4,040,852 | 3,902,896 | 3,782,989 |
| Maximum Taxing Capacity... | <u>\$ 104,729,225</u> | <u>\$ 109,075,475</u> | <u>\$ 112,609,324</u> | <u>\$ 117,859,068</u> | <u>\$ 124,235,546</u> | <u>\$ 129,300,643</u> | <u>\$ 134,306,796</u> | <u>\$ 140,458,433</u> | <u>\$ 146,503,847</u> | <u>\$ 154,314,610</u> |
| Actual Levy..... | \$ 104,658,300 | \$ 108,874,156 | \$ 111,893,513 | \$ 117,506,432 | \$ 122,233,763 | \$ 127,696,873 | \$ 132,983,359 | \$ 139,352,559 | \$ 145,370,281 | \$ 151,611,876 |
| Unused Levy Capacity..... | \$ 70,925 | \$ 201,319 | \$ 715,811 | \$ 352,636 | \$ 2,001,783 | \$ 1,603,770 | \$ 1,323,437 | \$ 1,105,875 | \$ 1,133,565 | \$ 2,702,734 |

Source: Assessor's Department, Town of Andover

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

| 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 |
| 2011 | 33,201 | \$ 2,212,946,253 | \$ 6,616,551,562 | \$ 51,225,999 | \$ - | \$ 1,543 | 2.31% | 0.77% |
| 2012 | 33,201 | \$ 1,731,982,946 | \$ 6,798,505,246 | \$ 50,237,699 | \$ - | \$ 1,513 | 2.90% | 0.74% |
| 2013 | 31,656 | \$ 1,684,413,276 | \$ 6,802,719,926 | \$ 67,125,020 | \$ - | \$ 2,120 | 3.99% | 0.99% |
| 2014 | 31,939 | \$ 2,259,131,604 | \$ 6,840,526,136 | \$ 87,324,906 | \$ - | \$ 2,734 | 3.87% | 1.28% |
| 2015 | 31,617 | \$ 2,281,103,316 | \$ 7,229,946,734 | \$ 84,243,576 | \$ - | \$ 2,665 | 3.69% | 1.17% |
| 2016 | 35,299 | \$ 2,597,688,709 | \$ 7,542,476,182 | \$ 78,346,580 | \$ - | \$ 2,220 | 3.02% | 1.04% |
| 2017 | 35,490 | \$ 2,663,985,870 | \$ 7,665,310,189 | \$ 72,997,287 | \$ - | \$ 2,057 | 2.74% | 0.95% |
| 2018 | 32,323 | \$ 2,474,778,172 | \$ 7,799,229,845 | \$ 84,960,292 | \$ 222,815 | \$ 2,635 | 3.44% | 1.09% |
| 2019 | 32,336 | \$ 2,525,288,974 | \$ 8,321,337,426 | \$ 84,889,229 | \$ 136,014 | \$ 2,629 | 3.37% | 1.02% |
| 2020 | 32,498 | \$ 2,588,699,218 | \$ 8,799,009,345 | \$ 82,415,085 | \$ 46,131 | \$ 2,537 | 3.19% | 0.94% |

| 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 |
| 2011 | \$ 35,602,018 | \$ - | \$ 86,828,017 | \$ 2,615 | 3.92% | 1.31% |
| 2012 | \$ 33,731,282 | \$ - | \$ 83,968,981 | \$ 2,529 | 4.85% | 1.24% |
| 2013 | \$ 33,435,605 | \$ - | \$ 100,560,625 | \$ 3,177 | 5.97% | 1.48% |
| 2014 | \$ 35,054,316 | \$ - | \$ 122,379,222 | \$ 3,832 | 5.42% | 1.79% |
| 2015 | \$ 34,525,548 | \$ - | \$ 118,769,124 | \$ 3,756 | 5.21% | 1.64% |
| 2016 | \$ 31,193,805 | \$ - | \$ 109,540,385 | \$ 3,103 | 4.22% | 1.45% |
| 2017 | \$ 29,366,241 | \$ - | \$ 102,363,528 | \$ 2,884 | 3.84% | 1.34% |
| 2018 | \$ 30,476,994 | \$ - | \$ 115,660,101 | \$ 3,578 | 4.67% | 1.48% |
| 2019 | \$ 27,899,916 | \$ - | \$ 112,925,159 | \$ 3,492 | 4.47% | 1.36% |
| 2020 | \$ 30,773,541 | \$ - | \$ 113,234,757 | \$ 3,484 | 4.37% | 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, 2020

| <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..... | \$ 10,540,000 | 1.8% | \$ 548,601 |
| Merrimack Valley Transit Authority..... | - | N/A | <u>231,124</u> |
| Subtotal, overlapping debt..... | | | <u>779,725</u> |
| Town direct debt..... | | | <u>82,415,085</u> |
| Total direct and overlapping debt..... | | | <u>\$ 83,194,810</u> |

Methodologies used to calculate overlapping debt:

Greater Lawrence Regional Vocational Technical School District:

The Town's overlap is based on pupil enrollment.

Merrimack Valley Transit Authority:

The Town's overlap is based on the proportion of the net cost incurred on routes within each member community.

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Equalized Valuation..... | \$ 7,405,664,700 | \$ 7,292,906,600 | \$ 7,292,906,600 | \$ 7,120,772,800 | \$ 7,120,772,800 | \$ 7,120,772,800 | \$ 7,972,993,500 | \$ 7,972,993,500 | \$ 8,453,211,200 | \$ 8,453,211,200 |
| Debt Limit -5% of Equalized Valuation..... | \$ 370,283,235 | \$ 364,645,330 | \$ 364,645,330 | \$ 356,038,640 | \$ 356,038,640 | \$ 356,038,640 | \$ 398,649,675 | \$ 398,649,675 | \$ 422,660,560 | \$ 422,660,560 |
| Less: | | | | | | | | | | |
| Outstanding debt applicable to limit..... | 67,504,073 | 65,805,248 | 67,161,942 | 68,448,149 | 64,939,228 | 58,166,832 | 55,577,799 | 62,265,500 | 68,407,800 | 66,000,800 |
| Authorized and unissued debt..... | 66,704,000 | 71,307,000 | 61,724,000 | 22,637,678 | 34,648,553 | 25,480,303 | 44,285,856 | 55,550,553 | 42,484,000 | 30,665,000 |
| Legal debt margin..... | \$ 236,075,162 | \$ 227,533,082 | \$ 235,759,388 | \$ 264,952,813 | \$ 256,450,859 | \$ 272,391,505 | \$ 298,786,020 | \$ 280,833,622 | \$ 311,768,760 | \$ 325,994,760 |
| Total debt applicable to the limit as a percentage of debt limit..... | 36.24% | 37.60% | 35.35% | 25.58% | 27.97% | 23.49% | 25.05% | 29.55% | 26.24% | 22.87% |

Source: Official Statement for Sale of Bonds

Demographic and Economic Statistics

Last Ten Years

| Year | Population Estimates | Personal Income | Per Capita Personal Income | Median Age | Unemployment Rate |
|-------------|-----------------------------|------------------------|-----------------------------------|-------------------|--------------------------|
| 2011 | 33,201 | \$ 2,212,946,253 | \$ 66,653 | 39.5 | 6.2% |
| 2012 | 33,201 | \$ 2,257,205,178 | \$ 67,986 | 39.5 | 4.9% |
| 2013 | 31,656 | \$ 2,195,210,050 | \$ 69,346 | 39.5 | 4.9% |
| 2014 | 31,939 | \$ 2,259,131,604 | \$ 70,733 | 39.5 | 4.9% |
| 2015 | 31,617 | \$ 2,281,071,699 | \$ 72,147 | 39.5 | 4.0% |
| 2016 | 35,299 | \$ 2,597,688,709 | \$ 73,591 | 39.5 | 3.6% |
| 2017 | 35,490 | \$ 2,663,985,870 | \$ 75,063 | 39.5 | 3.7% |
| 2018 | 32,323 | \$ 2,474,778,172 | \$ 76,564 | 39.5 | 2.8% |
| 2019 | 32,336 | \$ 2,525,279,920 | \$ 78,095 | 42.3 | 2.7% |
| 2020 | 32,498 | \$ 2,588,689,936 | \$ 79,657 | 42.0 | 10.8% |

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)

Current Year and Nine Years Ago

| Employer | Nature of Business | 2020 | | | 2011 | | |
|---|--|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Raytheon Co & Endrock Associates | Missile Systems | 4,500 | 1 | 13% | 4,750 | 1 | 15% |
| Internal Revenue Services | Regional Service Center | 1,700 | 2 | 5% | 3,500 | 2 | 11% |
| Pfizer | Biotechnology Research & Manufacturing | 1,325 | 3 | 4% | 1,200 | 4 | 4% |
| Putnam Investments | Mutual Funds | 900 | 4 | 3% | 900 | 6 | 3% |
| Vicor | Computer Equipment | 850 | 5 | 2% | 850 | 7 | 3% |
| Schneider Electric Software | Energy Management | 735 | 6 | 2% | - | - | - |
| Verizon | Communications | 600 | 7 | 2% | 600 | 8 | 2% |
| Philips Academy | Private School | 555 | 8 | 2% | 555 | 5 | 2% |
| Smith & Nephew | Medical Equipment | 500 | 9 | 1% | 500 | 10 | 2% |
| Hewlett Packard (Compaq) | Computer Equipment | 500 | 10 | 1% | 500 | 9 | 2% |
| Phillips Electr No Amer Corp. (Agilent) | Medical Electronics | - | - | - | 2,300 | 3 | 7% |

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent Town Employees

Last Ten Years

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Full-Time Equivalents</u> | | | | | | | | | | |
| Town..... | 344 | 344 | 350 | 351 | 356 | 356 | 358 | 359 | 359 | 363 |
| School..... | <u>772</u> | <u>762</u> | <u>799</u> | <u>867</u> | <u>862</u> | <u>874</u> | <u>884</u> | <u>900</u> | <u>906</u> | <u>922</u> |
| Total | <u>1,116</u> | <u>1,106</u> | <u>1,149</u> | <u>1,218</u> | <u>1,218</u> | <u>1,230</u> | <u>1,242</u> | <u>1,259</u> | <u>1,265</u> | <u>1,285</u> |

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Calendar Years

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Population..... | 33,201 | 33,201 | 31,656 | 31,942 | 31,617 | 32,101 | 32,677 | 32,323 | 32,336 | 32,498 |
| Registered Voters, Annual Town Election..... | 20,705 | 20,705 | 22,828 | 22,944 | 22,442 | 23,302 | 24,326 | 23,855 | 23,952 | 24,990 |
| Town Clerk | | | | | | | | | | |
| Births..... | 220 | 220 | 206 | 239 | 186 | 243 | 245 | 241 | 265 | 259 |
| Marriages..... | 122 | 122 | 133 | 134 | 90 | 137 | 123 | 136 | 126 | 132 |
| Deaths..... | 233 | 233 | 229 | 255 | 226 | 293 | 280 | 263 | 258 | 253 |
| Dogs licensed..... | 2,469 | 2,469 | 2,527 | 2,468 | 2,370 | 2,338 | 2,365 | 2,222 | 2,196 | 2,152 |
| Fishing & Hunting Licenses | 244 | 244 | - | - | - | - | - | - | - | - |
| Business Certificates..... | 70 | 70 | 78 | 168 | 95 | 111 | 112 | 158 | 163 | 175 |
| New Voter Registrations..... | 1,296 | 1,296 | 2,433 | 960 | 1,322 | 2,319 | 2,520 | 1,598 | 2,095 | 2,038 |
| Passport Applications..... | 531 | 531 | - | - | - | - | - | - | - | - |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Documented calls for police services..... | 34,495 | 34,495 | 33,863 | 35,514 | 28,179 | 28,017 | 29,964 | 31,430 | 28,415 | 21,438 |
| Arrests..... | 496 | 496 | 412 | 420 | 398 | 406 | 348 | 390 | 282 | 183 |
| Domestic Abuse..... | 45 | 45 | 53 | 52 | 43 | 48 | 62 | 65 | 47 | 43 |
| Vandalism..... | 130 | 130 | 131 | 108 | 108 | 123 | 96 | 124 | 70 | 138 |
| Larceny..... | 257 | 257 | 313 | 329 | 267 | 283 | 285 | 276 | 262 | 259 |
| Assaults..... | 40 | 40 | 49 | 42 | 38 | 30 | 83 | 42 | 30 | 34 |
| Breaking & Entering..... | 73 | 73 | 50 | 50 | 35 | 51 | 24 | 31 | 33 | 28 |
| Motor Vehicle accidents..... | 924 | 924 | 847 | 850 | 887 | 835 | 906 | 973 | 985 | 729 |
| Parking tickets issued..... | 5,187 | 5,187 | 5,072 | 5,389 | 4,200 | 3,825 | 3,424 | 3,799 | 2,995 | 2,059 |
| Total number of animal complaints..... | 713 | 713 | 693 | 578 | 688 | 806 | 829 | 731 | 655 | 752 |
| Fire | | | | | | | | | | |
| Incidents | | | | | | | | | | |
| Fires..... | 923 | 923 | 766 | 690 | 653 | 738 | 812 | 857 | 952 | 828 |
| EMS Calls..... | 2,696 | 2,696 | 2,746 | 2,740 | 3,160 | 3,131 | 3,214 | 3,522 | 3,526 | 3,598 |
| Motor Vehicle Accidents..... | 255 | 255 | 288 | 308 | 330 | 338 | 285 | 571 | 549 | 497 |
| Hazardous Conditions..... | 280 | 280 | 312 | 276 | 295 | 249 | 243 | 318 | 785 | 703 |
| False Alarms & False Calls..... | 752 | 752 | 748 | 685 | 728 | 740 | 796 | 913 | 1,084 | 949 |
| Good Intent Calls..... | 126 | 126 | 129 | 93 | 87 | 104 | 80 | 123 | 215 | 173 |
| Mutual Aid (Fire Calls)..... | 29 | 29 | 34 | 32 | 37 | 49 | 54 | 39 | 39 | 61 |
| Ambulance Mutual Aid Calls..... | 51 | 51 | 116 | 102 | 142 | 112 | 124 | 119 | 105 | 137 |

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fire Prevention Activities..... | 939 | 939 | 945 | 1,754 | 1,008 | 916 | 914 | 1,982 | 2,105 | 2,410 |
| Service Calls..... | 408 | 408 | 499 | 425 | 619 | 619 | 651 | 599 | 596 | 667 |
| Training..... | 137 | 137 | 302 | 215 | 202 | 181 | 229 | 177 | 190 | 148 |
| Co-Activation..... | 141 | 141 | 130 | 146 | 155 | 119 | 124 | 149 | 184 | 144 |
| Permits/certificates issued | | | | | | | | | | |
| Smoke Detectors..... | 450 | 450 | 574 | 575 | 600 | 651 | 897 | 744 | 664 | 704 |
| Report Copies..... | 60 | 60 | 48 | 58 | 74 | 64 | 82 | 89 | 109 | 102 |
| Blasting Permits..... | 2 | 2 | - | 2 | 2 | 3 | 3 | 2 | 3 | - |
| Cutting/Welding Permits..... | 31 | 31 | 31 | 34 | 48 | 41 | 44 | 56 | 84 | 91 |
| Dumpster Permits..... | 180 | 180 | 188 | 257 | 317 | 362 | 330 | 218 | 180 | 160 |
| Fireworks Display Permits..... | 1 | 1 | 2 | 3 | 4 | 4 | 4 | 6 | 6 | 1 |
| Gunpowder Storage Permits..... | - | - | - | - | 1 | - | 1 | 2 | 1 | 1 |
| Liquid Gas Storage Permits..... | 76 | 76 | 106 | 69 | 73 | 90 | 79 | 77 | 205 | 87 |
| Flammable Liquid Storage Permits..... | 47 | 47 | 47 | 46 | 61 | 55 | 67 | 72 | 54 | 28 |
| Miscellaneous Permits..... | - | - | - | 6 | 73 | 3 | 5 | 7 | 2 | 19 |
| Open Air Burning Permits..... | 519 | 519 | 365 | 255 | 222 | 267 | 246 | 364 | 240 | 249 |
| Oil Burner Install Permits..... | 147 | 147 | 100 | 113 | 98 | 110 | 79 | 92 | 116 | 109 |
| Commercial Fire Alarm Systems..... | 68 | 68 | 58 | 124 | 27 | 40 | 42 | 8 | 4 | 44 |
| Special Suppression System Permits..... | 2 | 2 | 6 | 13 | 2 | 6 | 5 | 3 | 11 | 9 |
| Sprinkler Install Permits..... | 72 | 72 | 90 | 64 | 41 | 64 | 55 | 26 | 19 | 47 |
| Underground Tank Re-certification..... | 18 | 18 | 14 | 19 | 6 | N/A | N/A | N/A | N/A | N/A |
| Underground Tank Removals..... | 58 | 58 | 91 | 67 | 68 | 82 | 4 | 3 | 5 | 63 |
| Building Department | | | | | | | | | | |
| Permits issued..... | 1,345 | 1,345 | 1,252 | 1,652 | 1,771 | 1,994 | 1,940 | 2,020 | 2,175 | 2,228 |
| Education | | | | | | | | | | |
| Public school enrollment..... | 6,121 | 6,121 | 6,262 | 6,110 | 6,076 | 6,075 | 5,991 | 5,924 | 5,957 | 5,817 |
| Public Works | | | | | | | | | | |
| Cemetery | | | | | | | | | | |
| Lots sold..... | 33 | 33 | 70 | 40 | 55 | 74 | 48 | 34 | 29 | 28 |
| Interments/cremations..... | 75 | 75 | 84 | 64 | 70 | 80 | 71 | 81 | 69 | 57 |

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Human Services | | | | | | | | | | |
| Board of Health | | | | | | | | | | |
| Plan reviews..... | 269 | 269 | 282 | 505 | 262 | 207 | 251 | 210 | 148 | 168 |
| Inspections | | | | | | | | | | |
| Restaurant | 278 | 278 | 385 | 353 | 327 | 288 | 391 | 469 | 616 | 404 |
| Environmental/Sanitary Code..... | 322 | 322 | 418 | 403 | 448 | 311 | 532 | 622 | 512 | 558 |
| Complaints investigated..... | 138 | 138 | 101 | 98 | 99 | 108 | 133 | 127 | 148 | 107 |
| Administrative Hearings..... | 4 | 4 | 2 | 5 | 7 | 6 | 4 | 4 | 1 | 0 |
| Council on Aging | | | | | | | | | | |
| Home delivered meals served..... | 25,589 | 25,589 | 21,012 | 22,764 | 22,992 | 23,108 | 23,044 | 26,194 | 23,810 | 26,100 |
| Medical-van trips..... | 1,399 | 1,399 | 1,502 | 1,352 | 1,366 | 1,865 | 1,461 | 1,295 | 1,159 | 1,014 |
| Libraries | | | | | | | | | | |
| Program attendance..... | 16,664 | 16,664 | 17,016 | 22,570 | 25,473 | 32,214 | 33,483 | 33,593 | 34,930 | 15,228 |
| Books & Periodicals..... | 364,795 | 364,795 | 394,506 | 386,137 | 372,179 | 363,419 | 345,054 | 330,907 | 311,392 | 227,132 |
| PC & Internet Use..... | 76,124 | 76,124 | 65,780 | 53,965 | 49,220 | 47,060 | 50,054 | 62,400 | 47,320 | 37,740 |
| Reference Questions..... | 67,195 | 67,195 | 72,163 | 68,835 | 73,749 | 65,338 | 69,381 | 69,237 | 69,111 | 45,060 |
| Non-Print Circulation..... | 144,489 | 144,489 | 197,921 | 196,615 | 179,372 | 164,300 | 152,232 | 141,127 | 141,439 | 117,684 |
| Sewer | | | | | | | | | | |
| Service connections..... | 6,200 | 6,200 | 6,200 | 6,200 | 5,900 | 6,534 | 6,518 | 6,559 | 6,565 | 6,603 |
| Water | | | | | | | | | | |
| Daily consumption (in million gallons)..... | 6.900 | 6.900 | 6.900 | 7.200 | 7.100 | 7.424 | 6.993 | 6.995 | 7.080 | 7.419 |

Source: Various Town Departments

(concluded)

Capital Asset Statistics by Function/Program

Last Ten Years

| <u>Function/Program</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Number of Buildings..... | 16 | 16 | 16 | 16 | 20 | 20 | 19 | 19 | 20 | 20 |
| 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... | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of middle schools..... | 3 | 3 | 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 | 222 | 223 | 258 | 258 | 258 | 259 |
| Fire hydrants..... | 2,300 | 2,300 | 2,300 | 2,300 | 2,369 | 2,374 | 2,382 | 2,382 | 2,382 | 2,401 |
| Sanitary sewers (miles)..... | 146 | 146 | 146 | 146 | 137 | 137 | 137 | 150 | 137 | 137 |
| Storm sewers (miles)..... | 80 | 80 | 80 | 80 | 120 | 120 | 120 | 120 | 120 | 121 |
| Culture and Recreation | | | | | | | | | | |
| Playgrounds..... | 14 | 14 | 14 | 14 | 20 | 20 | 20 | 21 | 21 | 21 |
| Parks..... | 4 | 4 | 4 | 4 | 6 | 6 | 9 | 9 | 9 | 9 |
| Playgrounds - Acreage..... | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.1 | 4.4 | 4.4 | 4.4 |
| Parks - Acreage..... | 30 | 30 | 30 | 30 | 30 | 30 | 41 | 41 | 41 | 41 |
| Public beaches..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ball fields..... | 31 | 31 | 31 | 31 | 39 | 40 | 40 | 40 | 40 | 40 |
| Tennis courts..... | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 |

Source: Various Town Departments