

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



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**For the Fiscal Year Ended June 30, 2012**



# Board of Selectmen



Paul Salafia  
Chairman

Alex Vispoli  
Vice Chair

Brian Major

Mary Lyman

Daniel Kowalski



File Photo

# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2012



Prepared by:

Rodney Smith, Town Accountant

TOWN OF ANDOVER, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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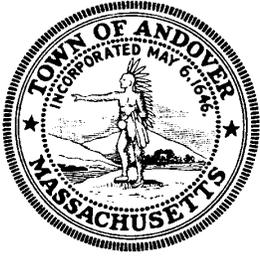
# ***Introductory Section***



File Photo: Andover Town Hall

# ***Introductory Section***

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# Town of Andover

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Andover, Massachusetts 01810  
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## Letter of Transmittal

December 12, 2012

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

At the close of each fiscal year state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the fiscal year ending June 30, 2012 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Andover's financial statements have been audited by Powers & Sullivan 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 fiscal year ended June 30, 2012 are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Andover's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **Profile of the Town**

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

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

Andover was originally settled in 1636 under the Native-American name of Cochichewick, 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, Board of Selectmen, Town Manager form of government. The Town is overseen by an elected five-member Board of Selectmen, and is administered by an appointed professional Town Manager, who also oversees approximately 20 departments and divisions. Andover's public schools are overseen by an elected five-member School Committee, and administered by an appointed professional Superintendent. There are also various appointed boards and committees which have specific responsibilities concerning various aspects of Town governance. Town Meeting, which is generally unique to New England, serves as Andover's legislative body. It offers all registered voters of the community the opportunity to participate in the major decisions of the Town. Town Meeting is facilitated by an elected Town Moderator, who is responsible for appointing a nine member Finance Committee, which in turn is responsible for advising Town Meeting on matters brought before it.

The Town provides a full array of high quality services to the general public, including: full-time police and fire protection; schools for grades kindergarten through 12, (six elementary, three middle, one senior high, and one regional vocational technical high school); solid waste disposal and recycling; street maintenance and snow removal; public health and natural resource protection; community development and planning; elder, youth and veteran services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, 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 of Andover is committed to a high degree of community responsiveness, providing high quality services to its citizens, and conducting all its affairs in a professional manner.

## **Factors Affecting Economic Condition**

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

**Local economy:** Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail line, and proximity to international airports in Boston, MA and Manchester, NH, Andover is a true business “cross roads.” The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed use commercial areas. Andover is a highly sought after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, life science, pharmaceutical, biotech, and medical products. Andover’s ten largest commercial/industrial employers are Raytheon, Philips Medical, Pfizer, Phillips Academy, Internal Revenue Service, Putnam Investments, Verizon, Vicor, Enterasys and WSI. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$6.6 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid annual growth rates, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

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

Looking to build off of the momentum generated by the recently completed Main Street Improvement Project, the Town’s long term planning and economic initiatives are continuing within the central business district, specifically the Town Yard relocation and redevelopment project. The Town Yard Task Force was created in 2007, with the charge of evaluating the feasibility of the reuse of the Town Yard property and to consider alternatives for relocation of the existing Town Yard facility. Grant money was also obtained to hire consultants to evaluate the property, the market, and the potential for redevelopment. The results are compelling, and the Town Yard Task Force plans to prepare the area for redevelopment through a tightly controlled process that is in keeping with the character of a central business district and is a better and more appropriate use of the property.

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

Given the number of years of reduced state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$86 million worth of long and short-term debt. This indebtedness consists of approximately \$50.2 million of general obligation bonds, \$2.0 million of short-term notes outstanding and \$33.7 million enterprise funds debt which is self-supporting through enterprise fund revenues.

The Town has authorized but not issued debt for school construction, landfill closure, land acquisition, water and sewer infrastructure and other various projects totaling \$71.3 million as of June 30, 2012. This includes \$43.8 million authorized at the December 5, 2010 Special Town Meeting for the design and construction of a new elementary school, of which, 44% will be reimbursable from the Massachusetts School Building Authority.

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

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

**Cash management policies and practices:** The Town of Andover issues property tax bills quarterly and derives approximately 75% of annual General Fund revenue from this source. The quarterly billings result in a cyclical build-up and then spend-down of operational cash reserves. Every effort is made to put our reserves to work. For the past 12 months, this has been a challenging proposition due to the struggling economy and the accompanying weak financial markets which has resulted in a low rate of return for most traditional investment vehicles. The Federal Open Market Committee has dropped the Federal Funds Rate from 2.0% down to a sliding scale of 0.0% to .025%. Short term rates, and most permissible investments, are highly influenced by this rate. The Fed expects to keep this rate structure for an extended period of time because they are of the opinion that the economic recovery will be a very slow and gradual process and raising rates could stagnate the recovery cycle. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

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

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

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

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

**Risk management:** The Town of Andover manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Health care and workers compensation are a combination of self-insured and premium based plans. The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and unemployment compensation claims. Buildings and property are fully insured against fire, theft and natural disaster to the extent that losses exceed the Town's deductible per incident. These deductibles vary by type of incident, none of which exceed \$50,000.

**Pension and other postemployment benefits:** The Town of Andover contributes to the Andover Contributory Retirement System (the System), a cost sharing defined benefit pension plan administered by the Andover Contributory Retirement Board. Every two years, an independent actuary engaged by the Andover Contributory Retirement Board calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System has succeeded in funding 49.7% of the present value of the projected benefits earned by employees based on the last actuarial valuation of January 1, 2012. The remaining unfunded amount is being systematically funded over 28 years as part of the annual required contribution calculated by the actuary. The System will be conducting its next actuarial valuation as of January 1, 2014.

The Town of Andover also provides postemployment health care and life insurance benefits for certain retirees and their dependents. There were 388 retired employees receiving these benefits. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. For Fiscal 2012, the Town conducted its second actuarial valuation to determine this unfunded liability. The Town established a Postemployment Benefit Trust fund in 2010 and made an initial deposit of \$258,120 into the fund. An additional \$400,000 was appropriated into the fund in 2011. Additional information on the Town of Andover's pension and postemployment benefits can be found in the notes to the financial statements. The present value of the OPEB fund is \$704,000.

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

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the 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 fiscal year ended June 30, 2011. This was the eighth 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 was awarded a number of competitive grants in FY2012. The Plant and Facilities Department received a \$248,799 grant from the state Department of Energy Resources, Green Communities Division for energy efficient retrofitting and upgrades of municipal and school heating and ventilation systems. The Fire-Rescue Department received a \$210,708 grant from the FEMA Assistance to Firefighters Program to replace all of the firefighter self-contained breathing apparatuses. The Police Department received a \$75,376 Dispatch 911 Support Incentive Grant to provide Emergency Medical Dispatch training to its personnel. The Memorial Hall Library was awarded a Community Innovation Challenge Grant in the amount of \$29,967 to upgrade the facility to allow it to serve as an integral part of the Town's Emergency Response Team.

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

Respectfully submitted,



Reginald S. Stapczynski  
Town Manager



Rodney P. Smith  
Town Accountant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Andover  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



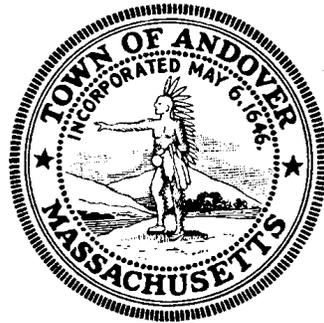
*Linda C. Davidson*

President

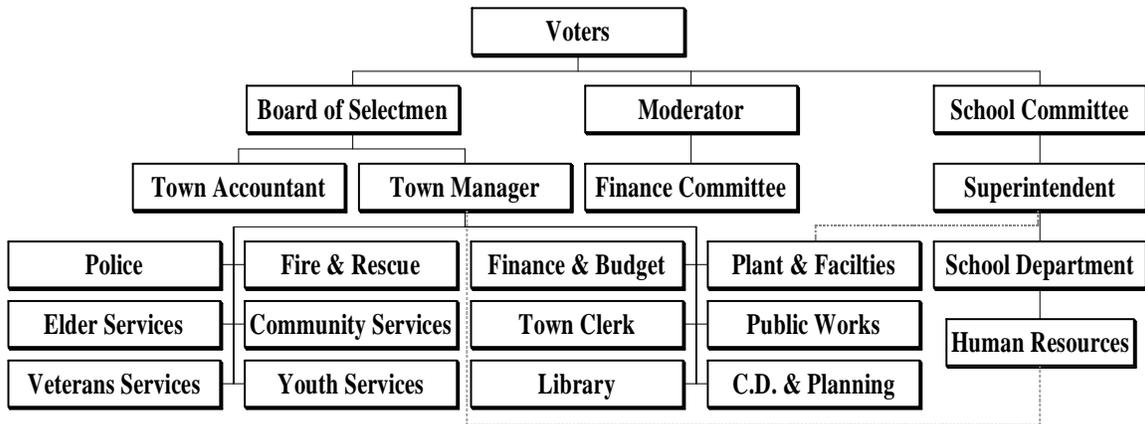
*Jeffrey R. Emer*

Executive Director

# Town of Andover



## ORGANIZATION



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

## Principal Town Officials

### Elected Officials

Board of Selectmen

Paul J. Salafia, Chairman  
Alexander J. Vispoli, Vice Chairman  
Daniel H. Kowalski, Secretary  
Brian P. Major  
Mary K. Lyman

Town Moderator

Sheila M. Doherty

School Committee

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

### Appointed Officials

Town Manager

Reginald S. Stapczynski

Superintendent of Schools

Dr. Marinel D. McGrath

Town Accountant

Rodney P. Smith

Finance Director

Donna Walsh

Treasurer

David J. Reilly

Town Assessor

David Billard

Town Clerk

Lawrence J. Murphy

Fire Chief

Michael B. Mansfield

Police Chief

Brian J. Pattullo

Human Resources Director

Candace A. Hall-Nourse

Library Director

Beth H. Mazin

Plant & Facilities Director

Maria B. Maggio, Acting

Public Works Director

Christopher M. Cronin, Acting

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# *Financial Section*



File Photo: Old Town Hall

# ***Financial Section***

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Andover, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Andover, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, (except for the Andover Contributory Retirement System which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our

opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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 financials 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.

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

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

December 12, 2012

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

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

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

### **Financial Highlights**

- At the close of the current fiscal year, the Town's general fund reported combined ending fund balances of \$13 million which represents 10% of total general fund budgetary basis expenditures.
- The assets of the Town of Andover exceeded liabilities at the close of the most recent fiscal year by \$125.9 million (net assets).
- The Town's noncurrent governmental liabilities (excluding debt) increased by \$10.7 million, which was primarily due to the recognition of other postemployment benefit (OPEB) liability.
- The Town's total governmental debt (short-term and long-term combined) decreased by \$601,000 during the current fiscal year. This was due to the net effect of \$1.6 million and \$10.9 million in principal payments on short-term and long-term debt, respectively, the issuance of \$2 million of short-term debt and \$5.3 million in long-term debt, respectively, for school construction, landfill closure, public works, building renovations, public safety; and an advanced refunding of \$4.6 million.
- The Town's total business-type long-term debt decreased by \$1.9 million during the current fiscal year. This was due to the net effect of \$9.9 million in principal payments and the issuance of \$875,000 of debt for infrastructure improvements and an advanced refunding of \$7.2 million.
- The advanced refunding noted above reduced future debt service payments by \$1.3 million.

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

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, plant and facilities, public safety, education, public works, community services, library, and interest. The business-type activities include the activities of water and sewer services.

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

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

**Governmental funds.** 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 fiscal 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 budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The Town of Andover’s assets exceeded liabilities by \$125.9 million at the close of fiscal year 2012, which was a decrease of \$3.6 million from the prior year.

Net assets of \$143.9 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$6.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* has a year-end deficit of \$24.2 million. The primary reason for this deficit balance is the recognition of OPEB liabilities.

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

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

**Governmental Activities**

The Town’s assets exceeded liabilities for governmental activities by \$61.2 million at the close of fiscal year 2012.

	FY12	FY11
<b>Assets:</b>		
Current assets.....	\$ 43,556,130	\$ 35,501,787
Noncurrent assets (excluding capital).....	5,722,507	7,063,013
Capital assets.....	136,858,283	132,770,376
<b>Total assets.....</b>	<b>186,136,920</b>	<b>175,335,176</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	9,756,652	6,993,842
Noncurrent liabilities (excluding debt).....	62,489,000	51,759,000
Current debt.....	7,875,835	7,760,365
Noncurrent debt.....	44,861,363	45,126,893
<b>Total liabilities.....</b>	<b>124,982,850</b>	<b>111,640,100</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	97,503,961	93,315,362
Restricted.....	6,194,838	3,976,293
Unrestricted.....	(42,544,729)	(33,596,579)
<b>Total net assets.....</b>	<b>\$ 61,154,070</b>	<b>\$ 63,695,076</b>

	<u>FY12</u>	<u>FY11</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 11,850,014	\$ 11,076,940
Operating grants and contributions.....	27,219,005	26,543,902
Capital grants and contributions.....	2,310,588	1,637,668
<b>General Revenues:</b>		
Real estate and personal property taxes.....	107,658,022	103,594,344
Motor vehicle and other excise taxes.....	5,884,034	6,011,320
Nonrestricted grants.....	2,005,649	2,070,906
Unrestricted investment income.....	273,240	315,873
Other revenues.....	1,414,766	1,458,706
<b>Total revenues.....</b>	<b><u>158,615,318</u></b>	<b><u>152,709,659</u></b>
<b>Expenses:</b>		
General government.....	9,579,841	7,849,705
Plant and facilities.....	6,301,667	5,868,634
Public safety.....	21,019,992	21,454,951
Education.....	110,530,908	109,991,085
Public works.....	6,671,929	8,104,996
Community services.....	3,547,165	3,473,959
Library.....	3,330,995	4,004,711
Interest.....	1,813,401	1,733,882
<b>Total expenses.....</b>	<b><u>162,795,898</u></b>	<b><u>162,481,923</u></b>
<b>Excess (deficiency) before transfers.....</b>	<b>(4,180,580)</b>	<b>(9,772,264)</b>
<b>Transfers.....</b>	<b><u>1,639,574</u></b>	<b><u>1,728,309</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>(2,541,006)</u></b>	<b>\$ <u>(8,043,955)</u></b>

The governmental expenses totaled \$162.8 million of which \$41.4 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$117.2 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net assets decreased by \$2.5 million during the current fiscal year. This was primarily due to the recognition of \$10.6 million of OPEB liabilities, offset by \$1.5 million in capital grant revenue from the Massachusetts School Building Authority (the MSBA) for eligible school construction costs, positive budgetary results of \$4.4 million for actual general fund revenues and expenditures, and a \$2.9 million increase in the remaining major and non-major governmental funds that is primarily due to timing differences between the receipt and disbursement of grant funds.

General government expenses increased by \$1.7 million, which was primarily due to the consolidation of the School and Town information technology departments. Additionally, public works expense decreased by \$1.4 million which was primarily due to snow and ice removal costs that were incurred in fiscal 2011.

**Business-Type Activities**

For the Town's business-type activities, assets exceeded liabilities by \$64.7 million at the close of fiscal year 2012.

	Business-type Activities	
	FY12	FY11
<b>Assets:</b>		
Current assets.....	\$ 13,439,791	\$ 12,957,284
Noncurrent assets (excluding capital).....	10,448,221	11,493,196
Capital assets.....	76,752,434	78,426,783
<b>Total assets.....</b>	<b>100,640,446</b>	<b>102,877,263</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	710,875	489,767
Noncurrent liabilities (excluding debt).....	1,241,000	1,028,000
Current debt.....	2,689,674	2,654,741
Noncurrent debt.....	31,260,019	32,929,150
<b>Total liabilities.....</b>	<b>35,901,568</b>	<b>37,101,658</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	46,353,252	47,534,459
Unrestricted.....	18,385,626	18,241,146
<b>Total net assets.....</b>	<b>\$ 64,738,878</b>	<b>\$ 65,775,605</b>
<b>Program revenues:</b>		
Charges for services.....	\$ 11,210,792	\$ 11,534,946
Capital grants and contributions.....	-	41,759
<b>General Revenues:</b>		
Unrestricted investment income.....	8,825	9,521
<b>Total revenues.....</b>	<b>11,219,617</b>	<b>11,586,226</b>
<b>Expenses:</b>		
Water.....	6,459,218	6,143,129
Sewer.....	4,157,552	4,438,234
<b>Total expenses.....</b>	<b>10,616,770</b>	<b>10,581,363</b>
<b>Excess (deficiency) before transfers.....</b>	<b>602,847</b>	<b>1,004,863</b>
<b>Transfers.....</b>	<b>(1,639,574)</b>	<b>(1,728,309)</b>
<b>Change in net assets.....</b>	<b>\$ (1,036,727)</b>	<b>\$ (723,446)</b>

Business-type net assets of \$46.4 million (72%) represent the investment in capital assets while \$18.4 million (28%) is unrestricted. The Town's business-type net assets decreased by \$1 million in the current fiscal year.

The water department net assets decreased by \$666,000. This decrease was due to \$227,000 of repairs and maintenance for items such as filter media replacements, a \$182,000 increase in the OPEB liability, and a decrease in consumption.

The sewer department net assets decreased by \$371,000. The decrease in net assets is mainly due to the use of \$360,000 of retained earnings to balance the sewer operating budget.

## ***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 fiscal year.

At the end of the current fiscal year governmental funds reported combined ending fund balances of \$25.4 million the components of which are as follows: \$13 million in the general fund, a deficit balance of \$2.2 million in the school projects fund, and \$14.6 million of nonmajor governmental funds. Cumulatively there was an increase of \$6.9 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10.8 million, while total fund balance was \$13 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 8.4% of total general fund budgetary expenditures, while total fund balance represents 10.1% of that same amount. The general fund experienced an increase of \$4 million, which is due to a combination of a \$1.4 million increase in encumbrances, a revenue surplus of \$1.6 million, and \$1.1 million of unspent appropriations.

The school projects fund experienced a decrease of \$1.9 million. This decrease is due to project costs that have been incurred but have not yet been reimbursed by the MSBA or otherwise permanently financed.

The nonmajor funds experienced an increase of \$4.8 million due to timing differences between the receipt and expenditure of grant funds and the permanent financing of various capital projects.

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

The \$500,000 increase between the original budget and the final amended budget was due to a supplemental appropriation, that was approved at the December 2011 Special Town Meeting, to increase the reserve fund. A reserve fund transfer was subsequently voted to fund the teacher's collective bargaining agreement.

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

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

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

- Governmental additions to construction in progress, machinery and equipment, land improvements, infrastructure, vehicles and library books totaling \$10.1 million.

- Business-type additions included \$679,000 of construction in progress, sewer infrastructure, and machinery and equipment, as well as \$639,000 of water infrastructure, machinery and equipment, and land improvements.

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

Outstanding long-term debt for governmental activities, as of June 30, 2012, totaled \$50.2 million, of which \$30.1 million is related to school projects, \$7.1 million is for public safety projects, and the remaining balance of \$13 million is for other CIP related projects. The Town issued \$9.9 million of long-term bonds to fund school projects, public safety, public works, and plant and facilities.

In order to take advantage of favorable interest rates, the Town issued \$11,755,000 of General Obligation Refunding Bonds on December 22, 2011. \$12,000,000 of general obligation bonds was advance refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$779,823. This amount is recorded as deferred charges on refunding and is being amortized over the life of the refunding debt, which is the same as the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$1,370,894 and resulted in an economic gain of \$1,267,403. At June 30, 2012, \$12,000,000 of bonds outstanding from the advance refunding is considered defeased.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2012 the Town is scheduled to receive \$451,000 of future interest grants and \$6.9 million of capital grants. The payment schedule of the Commonwealth is structured to match the debt service expenditures.

In fiscal year 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of fiscal year 2012, the Town has recorded capital grant proceeds totaling \$1.8 million from the MSBA which is equal to 44% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$316,000 of grant proceeds in fiscal 2013.

The Town has \$2 million in governmental bond anticipation notes outstanding at year-end that are due on December 20, 2012 and bear an interest rate of 1.5%.

The sewer and water enterprise funds have \$23.5 million and \$10.2 million, respectively of outstanding long-term debt at year-end that is fully supported by rates and does not rely on a general fund subsidy.

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

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

This financial report is designed to provide a general overview of the Town of Andover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Offices, 36 Bartlet Street, Andover, Massachusetts 01810.

# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 26,903,925	\$ 8,149,851	\$ 35,053,776
Investments.....	7,433,457	-	7,433,457
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,864,330	-	1,864,330
Tax liens.....	1,302,120	31,927	1,334,047
Motor vehicle and other excise taxes.....	577,336	-	577,336
User fees.....	-	4,469,173	4,469,173
Departmental and other.....	509,516	-	509,516
Special assessments.....	-	788,840	788,840
Intergovernmental.....	4,715,286	-	4,715,286
Tax foreclosures.....	250,160	-	250,160
Total current assets.....	<u>43,556,130</u>	<u>13,439,791</u>	<u>56,995,921</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	190,263	-	190,263
Intergovernmental.....	5,532,244	-	5,532,244
Special assessments.....	-	10,448,221	10,448,221
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	35,277,170	665,260	35,942,430
Depreciable.....	<u>101,581,113</u>	<u>76,087,174</u>	<u>177,668,287</u>
Total noncurrent assets.....	<u>142,580,790</u>	<u>87,200,655</u>	<u>229,781,445</u>
<b>TOTAL ASSETS.....</b>	<u><b>186,136,920</b></u>	<u><b>100,640,446</b></u>	<u><b>286,777,366</b></u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,745,558	336,607	3,082,165
Accrued payroll.....	3,510,909	-	3,510,909
Tax refunds payable.....	1,139,000	-	1,139,000
Accrued interest.....	466,222	254,094	720,316
Abandoned property.....	14,460	-	14,460
Customer deposits payable.....	27,503	9,174	36,677
Landfill closure.....	225,000	-	225,000
Compensated absences.....	1,282,000	111,000	1,393,000
Workers' compensation.....	346,000	-	346,000
Notes payable.....	2,000,000	-	2,000,000
Bonds payable.....	<u>5,875,835</u>	<u>2,689,674</u>	<u>8,565,509</u>
Total current liabilities.....	<u>17,632,487</u>	<u>3,400,549</u>	<u>21,033,036</u>
<b>NONCURRENT:</b>			
Landfill closure.....	13,527,000	-	13,527,000
Compensated absences.....	3,290,000	257,000	3,547,000
Other postemployment benefits.....	45,672,000	984,000	46,656,000
Bonds payable.....	<u>44,861,363</u>	<u>31,260,019</u>	<u>76,121,382</u>
Total noncurrent liabilities.....	<u>107,350,363</u>	<u>32,501,019</u>	<u>139,851,382</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>124,982,850</b></u>	<u><b>35,901,568</b></u>	<u><b>160,884,418</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	97,503,961	46,353,252	143,857,213
Restricted for:			
Permanent funds:			
Expendable.....	516,243	-	516,243
Nonexpendable.....	1,274,750	-	1,274,750
Grants and gifts.....	4,403,845	-	4,403,845
Unrestricted.....	<u>(42,544,729)</u>	<u>18,385,626</u>	<u>(24,159,103)</u>
<b>TOTAL NET ASSETS.....</b>	<u><b>\$ 61,154,070</b></u>	<u><b>\$ 64,738,878</b></u>	<u><b>\$ 125,892,948</b></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 9,579,841	\$ 1,311,364	\$ 253,007	\$ -	\$ (8,015,470)
Plant and facilities.....	6,301,667	-	-	448,935	(5,852,732)
Public safety.....	21,019,992	4,179,923	243,123	-	(16,596,946)
Education.....	110,530,908	4,406,316	25,611,406	1,461,653	(79,051,533)
Public works.....	6,671,929	217,264	346,825	-	(6,107,840)
Community services.....	3,547,165	1,727,326	395,467	400,000	(1,024,372)
Library.....	3,330,995	7,821	123,073	-	(3,200,101)
Interest.....	1,813,401	-	246,104	-	(1,567,297)
<b>Total Governmental Activities.....</b>	<b>162,795,898</b>	<b>11,850,014</b>	<b>27,219,005</b>	<b>2,310,588</b>	<b>(121,416,291)</b>
<i>Business-Type Activities:</i>					
Water.....	6,459,218	6,974,207	-	-	514,989
Sewer.....	4,157,552	4,236,585	-	-	79,033
<b>Total Business-Type Activities.....</b>	<b>10,616,770</b>	<b>11,210,792</b>	<b>-</b>	<b>-</b>	<b>594,022</b>
<b>Total Primary Government.....</b>	<b>\$ 173,412,668</b>	<b>\$ 23,060,806</b>	<b>\$ 27,219,005</b>	<b>\$ 2,310,588</b>	<b>\$ (120,822,269)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(121,416,291)</b>	\$ <b>594,022</b>	\$ <b>(120,822,269)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	107,658,022	-	107,658,022
Tax liens.....	231,426	-	231,426
Motor vehicle excise taxes.....	4,530,897	-	4,530,897
Hotel/motel tax.....	1,353,137	-	1,353,137
Meals tax.....	517,177	-	517,177
Penalties and interest on taxes.....	416,902	-	416,902
Grants and contributions not restricted to specific programs.....	2,005,649	-	2,005,649
Unrestricted investment income.....	273,240	8,825	282,065
Miscellaneous.....	249,261	-	249,261
<i>Transfers, net</i> .....	<u>1,639,574</u>	<u>(1,639,574)</u>	<u>-</u>
Total general revenues, special items, and transfers.....	<u>118,875,285</u>	<u>(1,630,749)</u>	<u>117,244,536</u>
Change in net assets.....	(2,541,006)	(1,036,727)	(3,577,733)
<i>Net Assets:</i>			
Beginning of year.....	<u>63,695,076</u>	<u>65,775,605</u>	<u>129,470,681</u>
End of year.....	\$ <u><u>61,154,070</u></u>	\$ <u><u>64,738,878</u></u>	\$ <u><u>125,892,948</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

	General	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 12,650,662	\$ 918,986	\$ 12,214,462	\$ 25,784,110
Investments.....	4,745,458	-	2,687,999	7,433,457
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,864,330	-	-	1,864,330
Real estate tax deferrals.....	190,263	-	-	190,263
Tax liens.....	1,302,120	-	-	1,302,120
Motor vehicle and other excise taxes.....	577,336	-	-	577,336
Departmental and other.....	408,757	-	100,759	509,516
Intergovernmental.....	6,896,730	316,062	3,034,738	10,247,530
Due from other funds.....	231,331	-	-	231,331
Tax foreclosures.....	250,160	-	-	250,160
<b>TOTAL ASSETS.....</b>	<b>\$ 29,117,147</b>	<b>\$ 1,235,048</b>	<b>\$ 18,037,958</b>	<b>\$ 48,390,153</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 464,300	1,093,727	\$ 1,183,031	\$ 2,741,058
Accrued payroll.....	3,493,604	-	17,305	3,510,909
Tax refunds payable.....	1,139,000	-	-	1,139,000
Liabilities due depositors.....	27,503	-	-	27,503
Abandoned property.....	14,460	-	-	14,460
Deferred revenues.....	10,994,666	316,062	2,011,614	13,322,342
Due to other funds.....	-	-	231,331	231,331
Notes payable.....	-	2,000,000	-	2,000,000
<b>TOTAL LIABILITIES.....</b>	<b>16,133,533</b>	<b>3,409,789</b>	<b>3,443,281</b>	<b>22,986,603</b>
<b>FUND BALANCES:</b>				
Nonspendable.....	-	-	1,274,750	1,274,750
Restricted.....	-	-	13,319,927	13,319,927
Committed.....	13,999	-	-	13,999
Assigned.....	2,197,122	-	-	2,197,122
Unassigned.....	10,772,493	(2,174,741)	-	8,597,752
<b>TOTAL FUND BALANCES.....</b>	<b>12,983,614</b>	<b>(2,174,741)</b>	<b>14,594,677</b>	<b>25,403,550</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 29,117,147</b>	<b>\$ 1,235,048</b>	<b>\$ 18,037,958</b>	<b>\$ 48,390,153</b>

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 25,403,550
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		136,858,283
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		13,322,342
Internal service funds are used by management to account for unemployment, health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		769,315
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(466,222)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and payable.....	(50,737,198)	
Landfill closure.....	(13,752,000)	
Compensated absences.....	(4,572,000)	
Other postemployment benefits.....	<u>(45,672,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(114,733,198)</u>
Net assets of governmental activities.....		<u>\$ 61,154,070</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ 107,820,244	\$ -	\$ -	\$ 107,820,244
Tax liens.....	264,004	-	-	264,004
Motor vehicle excise taxes.....	4,471,696	-	-	4,471,696
Hotel/motel tax.....	1,353,137	-	-	1,353,137
Meals tax.....	517,177	-	-	517,177
Charges for services.....	-	-	146,950	146,950
Penalties and interest on taxes.....	416,902	-	-	416,902
Fees.....	-	-	342,399	342,399
Licenses and permits.....	1,536,310	-	-	1,536,310
Fines and forfeitures.....	-	-	1,100	1,100
Intergovernmental.....	23,611,256	1,556,234	8,482,473	33,649,963
Departmental and other.....	3,065,363	-	7,327,166	10,392,529
Contributions.....	-	-	906,799	906,799
Investment income.....	207,604	-	98,497	306,101
<b>TOTAL REVENUES.....</b>	<b>143,263,693</b>	<b>1,556,234</b>	<b>17,305,384</b>	<b>162,125,311</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	6,210,552	-	867,677	7,078,229
Plant and facilities.....	4,498,557	-	531,026	5,029,583
Public safety.....	13,980,063	-	1,393,679	15,373,742
Education.....	62,937,482	-	8,264,293	71,201,775
Public works.....	4,592,741	-	2,118,373	6,711,114
Community services.....	1,636,528	-	1,237,911	2,874,439
Library.....	2,390,690	-	156,708	2,547,398
Pension benefits.....	17,504,035	-	-	17,504,035
Property and liability insurance.....	827,013	-	-	827,013
Employee benefits.....	15,134,416	-	-	15,134,416
State and county charges.....	2,433,163	-	-	2,433,163
Capital outlay.....	-	4,816,575	2,913,308	7,729,883
Debt service:				
Principal.....	6,194,000	-	-	6,194,000
Interest.....	1,847,422	-	-	1,847,422
<b>TOTAL EXPENDITURES.....</b>	<b>140,186,662</b>	<b>4,816,575</b>	<b>17,482,975</b>	<b>162,486,212</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>3,077,031</b>	<b>(3,260,341)</b>	<b>(177,591)</b>	<b>(360,901)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds and notes.....	-	1,342,000	4,024,000	5,366,000
Issuance of refunding bonds.....	4,564,700	-	-	4,564,700
Premium from issuance of bonds.....	239,602	-	-	239,602
Premium from issuance of refunding bonds.....	446,698	-	-	446,698
Payment to refunded bonds escrow agent.....	(4,986,695)	-	-	(4,986,695)
Transfers in.....	1,950,838	-	1,291,400	3,242,238
Transfers out.....	(1,246,400)	-	(356,264)	(1,602,664)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>968,743</b>	<b>1,342,000</b>	<b>4,959,136</b>	<b>7,269,879</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>4,045,774</b>	<b>(1,918,341)</b>	<b>4,781,545</b>	<b>6,908,978</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>8,937,840</b>	<b>(256,400)</b>	<b>9,813,132</b>	<b>18,494,572</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 12,983,614</b>	<b>\$ (2,174,741)</b>	<b>\$ 14,594,677</b>	<b>\$ 25,403,550</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds..... \$ 6,908,978

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.

Capital outlay..... 10,129,773  
Depreciation expense..... (6,041,866)

Net effect of reporting capital assets..... 4,087,907

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (3,537,086)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Issuance of bonds and notes..... (5,366,000)  
Issuance of refunding bonds..... (4,564,700)  
Payment to refunded bonds escrow agent..... 4,986,695  
Debt service principal payments..... 6,194,000  
Deferral of premium on bonds and notes payable..... (552,599)  
Amortization of deferred charges on refunding..... (160,336)

Net effect of reporting long-term debt..... 537,060

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.

Net change in compensated absences accrual..... 61,000  
Net change in accrued interest on long-term debt..... 34,021  
Net change in other postemployment benefits..... (10,583,000)  
Net change in landfill closure liability..... (103,000)

Net effect of recording long-term liabilities and amortizing deferred losses..... (10,590,979)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities..... 53,114

Change in net assets of governmental activities..... \$ (2,541,006)

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 4,483,001	\$ 3,666,850	\$ 8,149,851	\$ 1,119,815
Receivables, net of allowance for uncollectibles:				
User fees.....	2,768,546	1,700,627	4,469,173	-
Water and sewer liens.....	20,953	10,974	31,927	-
Special assessments.....	-	788,840	788,840	-
Total current assets.....	<u>7,272,500</u>	<u>6,167,291</u>	<u>13,439,791</u>	<u>1,119,815</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	10,448,221	10,448,221	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	266,017	399,243	665,260	-
Depreciable.....	<u>36,903,273</u>	<u>39,183,901</u>	<u>76,087,174</u>	<u>-</u>
Total noncurrent assets.....	<u>37,169,290</u>	<u>50,031,365</u>	<u>87,200,655</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>44,441,790</u>	<u>56,198,656</u>	<u>100,640,446</u>	<u>1,119,815</u>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	109,028	227,579	336,607	4,500
Accrued interest.....	69,129	184,965	254,094	-
Other Liabilities.....	-	9,174	9,174	-
Compensated absences.....	93,000	18,000	111,000	-
Workers' compensation.....	-	-	-	346,000
Bonds payable.....	<u>834,194</u>	<u>1,855,480</u>	<u>2,689,674</u>	<u>-</u>
Total current liabilities.....	<u>1,105,351</u>	<u>2,295,198</u>	<u>3,400,549</u>	<u>350,500</u>
<b>NONCURRENT:</b>				
Compensated absences.....	207,000	50,000	257,000	-
Other postemployment benefits.....	803,000	181,000	984,000	-
Bonds payable.....	<u>9,457,305</u>	<u>21,802,714</u>	<u>31,260,019</u>	<u>-</u>
Total noncurrent liabilities.....	<u>10,467,305</u>	<u>22,033,714</u>	<u>32,501,019</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u>11,572,656</u>	<u>24,328,912</u>	<u>35,901,568</u>	<u>350,500</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	28,889,199	17,464,053	46,353,252	-
Unrestricted.....	<u>3,979,935</u>	<u>14,405,691</u>	<u>18,385,626</u>	<u>769,315</u>
<b>TOTAL NET ASSETS.....</b>	<u>\$ 32,869,134</u>	<u>\$ 31,869,744</u>	<u>\$ 64,738,878</u>	<u>\$ 769,315</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<u>OPERATING REVENUES:</u>				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 4,320,685
Employer contributions.....	-	-	-	15,206,030
Charges for services.....	6,974,207	4,236,585	11,210,792	-
<b>TOTAL OPERATING REVENUES.....</b>	<b>6,974,207</b>	<b>4,236,585</b>	<b>11,210,792</b>	<b>19,526,715</b>
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	4,291,047	2,102,325	6,393,372	-
Depreciation.....	1,860,662	1,131,477	2,992,139	-
Employee benefits.....	-	-	-	19,500,194
Property and liability insurance.....	-	-	-	500
<b>TOTAL OPERATING EXPENSES.....</b>	<b>6,151,709</b>	<b>3,233,802</b>	<b>9,385,511</b>	<b>19,500,694</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>822,498</b>	<b>1,002,783</b>	<b>1,825,281</b>	<b>26,021</b>
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	4,295	4,530	8,825	27,093
Interest expense.....	(307,509)	(923,750)	(1,231,259)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(303,214)</b>	<b>(919,220)</b>	<b>(1,222,434)</b>	<b>27,093</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>519,284</b>	<b>83,563</b>	<b>602,847</b>	<b>53,114</b>
<u>TRANSFERS:</u>				
Transfers out.....	(1,184,943)	(454,631)	(1,639,574)	-
<b>CHANGE IN NET ASSETS.....</b>	<b>(665,659)</b>	<b>(371,068)</b>	<b>(1,036,727)</b>	<b>53,114</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>33,534,793</b>	<b>32,240,812</b>	<b>65,775,605</b>	<b>716,201</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 32,869,134</b>	<b>\$ 31,869,744</b>	<b>\$ 64,738,878</b>	<b>\$ 769,315</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 6,692,535	\$ 3,895,295	\$ 10,587,830	\$ 4,320,685
Receipts from interfund services provided.....	-	-	-	15,206,030
Payments to vendors.....	(2,592,090)	(1,455,960)	(4,048,050)	(500)
Payments to employees.....	(1,500,594)	(421,142)	(1,921,736)	(79,315)
Payments for interfund services used.....	-	-	-	(19,456,129)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,599,851</b>	<b>2,018,193</b>	<b>4,618,044</b>	<b>(9,229)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers out.....	(1,184,943)	(454,631)	(1,639,574)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	650,000	225,000	875,000	-
Proceeds from the issuance of refunding bonds.....	1,470,400	5,719,900	7,190,300	-
Premium from the issuance of bonds and notes.....	44,734	-	44,734	-
Premium from the issuance of refunding bonds.....	143,892	559,745	703,637	-
Acquisition and construction of capital assets.....	(638,601)	(679,189)	(1,317,790)	-
Principal payments on bonds and notes.....	(860,036)	(1,801,000)	(2,661,036)	-
Payment to refunded bonds escrow agent.....	(1,593,677)	(6,199,451)	(7,793,128)	-
Refunding bond issue costs.....	(20,615)	(80,194)	(100,809)	-
Special assessments.....	69	1,081,078	1,081,147	-
Interest expense.....	(277,728)	(836,189)	(1,113,917)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,081,562)</b>	<b>(2,010,300)</b>	<b>(3,091,862)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	4,295	4,530	8,825	27,093
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>337,641</b>	<b>(442,208)</b>	<b>(104,567)</b>	<b>17,864</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>4,145,360</b>	<b>4,109,058</b>	<b>8,254,418</b>	<b>1,101,951</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 4,483,001</b>	<b>\$ 3,666,850</b>	<b>\$ 8,149,851</b>	<b>\$ 1,119,815</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 822,498	\$ 1,002,783	\$ 1,825,281	\$ 26,021
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,860,662	1,131,477	2,992,139	-
Changes in assets and liabilities:				
Water and sewer liens.....	3,820	5,067	8,887	-
User fees.....	(285,492)	(346,641)	(632,133)	-
Warrants payable.....	57,852	203,712	261,564	2,750
Accrued payroll.....	(20,489)	(5,489)	(25,978)	-
Other postemployment benefits.....	182,000	48,000	230,000	-
Liabilities due depositors.....	-	284	284	-
Accrued compensated absences.....	(21,000)	(21,000)	(42,000)	-
Workers' compensation.....	-	-	-	(38,000)
Total adjustments.....	1,777,353	1,015,410	2,792,763	(35,250)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,599,851</b>	<b>\$ 2,018,193</b>	<b>\$ 4,618,044</b>	<b>\$ (9,229)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,346,424	\$ 172,277	\$ 855,681
Investments:			
PRIT funds.....	86,559,140	-	-
Government sponsored enterprises.....	-	1,096,693	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	67,959	-	-
<b>TOTAL ASSETS</b> .....	<b>87,973,523</b>	<b>1,268,970</b>	<b>855,681</b>
<b>LIABILITIES</b>			
Warrants payable.....	699	-	-
Liabilities due depositors.....	-	-	855,681
<b>TOTAL LIABILITIES</b> .....	<b>699</b>	<b>-</b>	<b>855,681</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits.....	87,266,576	-	-
Held in trust for OPEB benefits.....	706,248	-	-
Held in trust for other purposes.....	-	1,268,970	-
	<b>\$ 87,972,824</b>	<b>\$ 1,268,970</b>	<b>\$ -</b>

(1) The pension trust fund is as of December 31, 2011.

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 4,984,957	\$ -
Employee.....	3,109,415	-
Total contributions.....	8,094,372	-
Net investment income (loss):		
Net change in fair value of investments.....	(2,427,676)	7,625
Interest.....	2,644,690	2,773
Total investment income (loss).....	217,014	10,398
Less: investment expense.....	(434,767)	-
Net investment income (loss).....	(217,753)	10,398
Intergovernmental.....	112,611	-
Transfers from other systems.....	520,367	-
TOTAL ADDITIONS.....	8,509,597	10,398
<b>DEDUCTIONS:</b>		
Administration.....	163,015	-
Transfers to other systems.....	241,415	-
Retirement benefits and refunds.....	9,849,729	-
Educational scholarships.....	-	28,907
TOTAL DEDUCTIONS.....	10,254,159	28,907
CHANGE IN NET ASSETS.....	(1,744,562)	(18,509)
NET ASSETS AT BEGINNING OF YEAR.....	89,717,386	1,287,479
NET ASSETS AT END OF YEAR.....	\$ 87,972,824	\$ 1,268,970

(1) The pension trust fund is as of December 31, 2011.

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

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

**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 venture 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 Regional Technical Vocational School (GLRTVS)***

The GLRTVS is governed by a seven member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the GLRTVS' 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 GLRTVS. For the fiscal year ended June 30, 2012, the Town's assessment totaled \$444,503. Separate financial statements may be obtained by writing to the Treasurer of the GLRTVS at 57 River Road, Andover, MA 01810.

**Blended Component Units**

Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The following component unit is blended within the primary government:

In the Fiduciary Funds:

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

### **Availability of Financial Information for Component Units**

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

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures 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 fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *school projects* 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.

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

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

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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

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

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

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

#### D. Cash and Investments

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

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

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

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

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

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

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

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

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

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

**Motor Vehicle Excise**

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

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

**Water and Sewer User Fees**

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

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

**Departmental and Other**

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

**Intergovernmental**

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

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

F. Inventories

*Government-Wide and Fund Financial Statements*

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

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

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

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction-in-progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

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

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

*Governmental Fund Financial Statements*

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

#### H. Interfund Receivables and Payables

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### I. Interfund Transfers

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### J. Deferred Revenue

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

#### K. Net Assets and Fund Equity

##### *Government-Wide Financial Statements (Net Assets)*

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

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

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

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

#### *Fund Financial Statements (Fund Balances)*

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 prior to the end of the fiscal 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. Town Meeting may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated 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. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

“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.

#### L. Long-term debt

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

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

M. Investment Income

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

N. Compensated Absences

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

O. Fund Deficits

The workers compensation fund has a deficit of \$217,168 that will be funded by employer contributions. The school projects fund has a deficit of \$2,174,741 that will be funded through future MSBA grant reimbursements and permanent financing.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Total Column*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 - CASH AND INVESTMENTS**

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

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Andover's deposits may not be returned to it. The Town's policy allows unlimited deposits in bank accounts or CD's (up to one year maturity) that are fully collateralized through a third party agreement. For uncollateralized bank accounts and CD's, deposits may not exceed Federal Deposit Insurance Corporation (FDIC) or other deposit insurance coverage unless the bank has received the highest bank rating as determined by a recognized bank rating firm. These deposits will be limited to no more than 5% of an institution's assets and no more than 10% of the Town's cash. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. CD's will be purchased for no more than three months and will be reviewed frequently. The Town's policy also allows unlimited investments in money market funds, which are allowed by statute and are considered to be liquid funds.

At fiscal year-end, the carrying amount of deposits totaled \$34,192,020 and the bank balance totaled \$36,215,093. Of the bank balance, \$2,191,171 was covered by Federal Depository Insurance and \$34,023,922 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2011, the carrying amount of deposits for the Retirement System totaled \$640,176 and the bank balance totaled \$682,790. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$1,088,017 in government agencies, \$6,345,440 in government sponsored enterprises, \$40,694 in corporate bonds, and \$224,259 in equity securities, the Town has a custodial credit risk exposure of \$7,698,410 because the related securities are uninsured, unregistered and held by the counterparty. The Town's policy requires all securities, not held directly by the Town, to be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer.

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

Interest Rate Risk

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

As of June 30, 2012, the Town of Andover had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1 to 5	6 to 10
<u>Debt Securities:</u>				
Government agencies.....	\$ 1,088,017	\$ 401,120	\$ 686,897	\$ -
Government sponsored enterprises.....	6,345,440	1,010,192	4,930,987	404,261
Corporate bonds.....	<u>40,694</u>	<u>-</u>	<u>40,694</u>	<u>-</u>
Total debt securities.....	7,474,151	<u>\$ 1,411,312</u>	<u>\$ 5,658,578</u>	<u>\$ 404,261</u>
<u>Other Investments:</u>				
Money market mutual funds.....	1,143,791			
Equity securities.....	224,259			
Equity mutual funds.....	831,740			
MMDT.....	<u>1,452,171</u>			
Total investments.....	<u>\$ 11,126,112</u>			

As of December 31, 2011, the Retirement System had the following investments:

Investment Type	Fair Value
PRIT.....	<u>\$ 86,559,140</u>

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 9.69 years.

Credit Risk

The Town’s investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry a AAA rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. Standard & Poor’s Investors Service rated \$6,345,440 of government sponsored enterprise securities AAA, \$40,694 of corporate bonds AA and \$1,452,171 of MMDT shares were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$86,559,140 of PRIT shares were unrated.

Concentration of Credit Risk

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

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

**NOTE 3 – RECEIVABLES**

At June 30, 2012, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,864,330	\$ -	\$ 1,864,330
Real estate tax deferrals.....	190,263	-	190,263
Tax liens.....	1,302,120	-	1,302,120
Motor vehicle and other excise taxes.....	1,193,707	(616,371)	577,336
Departmental and other.....	575,684	(66,168)	509,516
Intergovernmental.....	<u>10,247,530</u>	<u>-</u>	<u>10,247,530</u>
Total.....	<u>\$ 15,373,634</u>	<u>\$ (682,539)</u>	<u>\$ 14,691,095</u>

At June 30, 2012, receivables for the water and sewer enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user fees.....	\$ 2,768,546	\$ -	\$ 2,768,546
Sewer user fees.....	1,700,627	-	1,700,627
Water liens.....	20,953	-	20,953
Sewer liens.....	10,974	-	10,974
Sewer special assessments.....	<u>11,237,061</u>	<u>-</u>	<u>11,237,061</u>
Total.....	<u>\$ 15,738,161</u>	<u>\$ -</u>	<u>\$ 15,738,161</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,456,260	\$ -	\$ 1,456,260
Real estate tax deferrals.....	190,263	-	190,263
Tax liens.....	1,302,120	-	1,302,120
Motor vehicle and other excise.....	577,336	-	577,336
Departmental.....	321,795	100,363	422,158
Intergovernmental.....	6,896,732	2,227,313	9,124,045
Tax foreclosure.....	250,160	-	250,160
Total.....	<u>\$ 10,994,666</u>	<u>\$ 2,327,676</u>	<u>\$ 13,322,342</u>

#### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 29,903,293	\$ -	\$ -	\$ 29,903,293
Construction in progress.....	1,521,593	3,852,284	-	5,373,877
Total capital assets not being depreciated.....	<u>31,424,886</u>	<u>3,852,284</u>	<u>-</u>	<u>35,277,170</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	137,061,570	-	-	137,061,570
Machinery and equipment.....	9,521,884	708,225	-	10,230,109
Land improvements.....	17,650,211	3,133,951	-	20,784,162
Infrastructure.....	35,142,559	1,760,055	-	36,902,614
Vehicles.....	5,746,504	364,526	(281,343)	5,829,687
Library books.....	6,167,120	310,732	-	6,477,852
Total capital assets being depreciated.....	<u>211,289,848</u>	<u>6,277,489</u>	<u>(281,343)</u>	<u>217,285,994</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(69,951,839)	(2,715,420)	-	(72,667,259)
Machinery and equipment.....	(6,624,870)	(824,246)	-	(7,449,116)
Land improvements.....	(3,823,006)	(912,956)	-	(4,735,962)
Infrastructure.....	(21,422,259)	(794,931)	-	(22,217,190)
Vehicles.....	(3,539,057)	(468,022)	281,343	(3,725,736)
Library books.....	(4,583,327)	(326,291)	-	(4,909,618)
Total accumulated depreciation.....	<u>(109,944,358)</u>	<u>(6,041,866)</u>	<u>281,343</u>	<u>(115,704,881)</u>
Total capital assets being depreciated, net.....	<u>101,345,490</u>	<u>235,623</u>	<u>-</u>	<u>101,581,113</u>
Total governmental activities capital assets, net.....	<u>\$ 132,770,376</u>	<u>\$ 4,087,907</u>	<u>\$ -</u>	<u>\$ 136,858,283</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	-	284,113	-	284,113
Total capital assets not being depreciated.....	115,130	284,113	-	399,243
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,281,181	-	-	1,281,181
Machinery and equipment.....	1,065,798	17,325	-	1,083,123
Infrastructure.....	52,269,257	377,751	-	52,647,008
Vehicles.....	91,351	-	-	91,351
Total capital assets being depreciated.....	54,707,587	395,076	-	55,102,663
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(944,872)	(32,030)	-	(976,902)
Machinery and equipment.....	(185,190)	(56,935)	-	(242,125)
Infrastructure.....	(13,565,872)	(1,042,512)	-	(14,608,384)
Vehicles.....	(91,351)	-	-	(91,351)
Total accumulated depreciation.....	(14,787,285)	(1,131,477)	-	(15,918,762)
Total capital assets being depreciated, net.....	39,920,302	(736,401)	-	39,183,901
Total sewer business-type activities capital assets, net.....	\$ 40,035,432	\$ (452,288)	\$ -	\$ 39,583,144
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	40,000	-	-	40,000
Machinery and equipment.....	2,213,288	334,861	-	2,548,149
Land improvements.....	858,288	24,988	-	883,276
Infrastructure.....	80,985,625	278,752	-	81,264,377
Vehicles.....	233,191	-	-	233,191
Total capital assets being depreciated.....	84,330,392	638,601	-	84,968,993
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(40,000)	-	-	(40,000)
Machinery and equipment.....	(618,157)	(106,999)	-	(725,156)
Land improvements.....	(48,654)	(22,771)	-	(71,425)
Infrastructure.....	(45,274,370)	(1,727,166)	-	(47,001,536)
Vehicles.....	(223,877)	(3,726)	-	(227,603)
Total accumulated depreciation.....	(46,205,058)	(1,860,662)	-	(48,065,720)
Total capital assets being depreciated, net.....	38,125,334	(1,222,061)	-	36,903,273
Total water business-type activities capital assets, net.....	\$ 38,391,351	\$ (1,222,061)	\$ -	\$ 37,169,290

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

**Governmental Activities:**

General government.....	\$ 259,748
Public safety.....	743,023
Education.....	3,287,200
Public works.....	1,073,064
Plant and facilities.....	112,635
Library.....	436,749
Community services.....	<u>129,447</u>

Total depreciation expense - governmental activities..... \$ 6,041,866

**Business-Type Activities:**

Sewer.....	\$ 1,131,477
Water.....	<u>1,860,662</u>

Total depreciation expense - business-type activities..... \$ 2,992,139

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 1,246,400	\$ 1,246,400 (1)
Nonmajor Governmental Funds.....	311,264	45,000	356,264 (2)
Water Enterprise Fund.....	1,184,943	-	1,184,943 (3)
Sewer Enterprise Fund.....	<u>454,631</u>	<u>-</u>	<u>454,631 (3)</u>
Total.....	<u>\$ 1,950,838</u>	<u>\$ 1,291,400</u>	<u>\$ 3,242,238</u>

- (1) Represents a transfer to the capital projects funds for the current year capital article.
- (2) Represents a budgeted transfer from Wetland Filing Fees and Off Street Parking to the general fund, as well as various transfers between Nonmajor Governmental funds.
- (3) Represents the transfer of indirect costs to the general fund.

As of June 30, 2012, the Town has governmental receivables and payables totaling \$231,331. This balance is the result of the general fund covering short-term cash flow needs of the highway construction fund that will be funded by future grant proceeds.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2012, is as follows:

Governmental Funds		Rate	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Type	Purpose	(%)					
BAN	Landfill closure.....	1.25%	02/24/12	\$ 600,000	\$ -	\$ 600,000	\$ -
BAN	Bancroft school study.....	1.25%	02/24/12	525,000	-	525,000	-
BAN	Landfill closure.....	0.90%	02/24/12	100,000	-	100,000	-
BAN	Ambulance.....	0.90%	02/24/12	225,000	-	225,000	-
BAN	Building renovations.....	0.90%	02/24/12	163,000	-	163,000	-
BAN	Bancroft school.....	1.50%	12/20/12	-	2,000,000	-	2,000,000
Total Governmental.....				\$ 1,613,000	\$ 2,000,000	\$ 1,613,000	\$ 2,000,000

**NOTE 7 - LONG-TERM DEBT**

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

In order to take advantage of favorable interest rates, the Town issued \$11,755,000 of General Obligation Refunding Bonds on December 22, 2011. \$12,000,000 of general obligation bonds were advance refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$779,823. This amount is recorded as deferred charges on refunding and is being amortized over the life of the refunding debt, which is the same as the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$1,370,894 and resulted in an economic gain of \$1,267,403. At June 30, 2012, \$12,000,000 of bonds outstanding from the advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Public safety.....	2029	\$ 71,263,923	2.00 - 5.00	\$ 7,695,000	\$ 225,000	\$ 808,000	\$ 7,112,000 (1)
School projects.....	2032	217,945,612	2.00 - 5.72	32,034,197	6,423,700	8,337,198	30,120,699 (1)
Public works.....	2032	45,309,000	2.75 - 5.13	2,465,000	1,560,000	565,000	3,460,000 (2)
Plant and facilities.....	2032	72,555,000	2.75 - 5.00	2,583,000	1,722,000	725,000	3,580,000 (1)
Land acquisition.....	2031	42,050,000	3.50 - 5.98	6,145,000	-	415,000	5,730,000 (1)
Culture and recreation.....	2019	7,541,388	2.75 - 5.00	303,802	-	68,802	235,000 (1)
Total governmental bonds payable.....				51,225,999	9,930,700	10,919,000	50,237,699
Add: unamortized premium.....				755,356	686,300	133,701	1,307,955
Less: deferred charges on refunding.....				(707,097)	261,695	160,336	(808,456)
Total governmental bonds payable, net.....				\$ 51,274,258	\$ 10,878,695	\$ 11,213,036	\$ 50,737,198

- (1) Debt issued to finance Town capital expenditures.
- (2) Debt issued to finance Town capital expenditures with the exception of \$1.3 million for landfill closure.

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 5,813,900	\$ 1,735,198	\$ 7,549,098
2014.....	5,484,500	1,561,810	7,046,310
2015.....	5,241,499	1,390,826	6,632,325
2016.....	5,163,000	1,208,654	6,371,654
2017.....	4,149,800	1,033,612	5,183,412
2018.....	3,320,000	899,945	4,219,945
2019.....	3,160,000	772,966	3,932,966
2020.....	2,870,000	640,561	3,510,561
2021.....	2,645,000	532,348	3,177,348
2022.....	2,220,000	440,467	2,660,467
2023.....	1,945,000	361,351	2,306,351
2024.....	1,540,000	297,425	1,837,425
2025.....	1,475,000	244,803	1,719,803
2026.....	1,390,000	183,443	1,573,443
2027.....	1,085,000	135,373	1,220,373
2028.....	960,000	95,199	1,055,199
2029.....	710,000	60,123	770,123
2030.....	510,000	36,353	546,353
2031.....	360,000	16,600	376,600
2032.....	195,000	3,167	198,167
Totals.....	\$ 50,237,699	\$ 11,650,221	\$ 61,887,920

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Sewer projects.....	2031	\$ 149,337,446	2.75 - 5.00	\$ 25,154,000	\$ 5,944,900	\$ 7,601,000	\$ 23,497,900 (1)
Water projects.....	2029	89,993,578	2.00 - 5.61	<u>10,448,018</u>	<u>2,120,400</u>	<u>2,335,036</u>	<u>10,233,382 (1)</u>
Total enterprise bonds payable.....				35,602,018	8,065,300	9,936,036	33,731,282
Add: unamortized premium.....				-	748,371	-	748,371
Less: deferred charges on refunding.....				<u>(18,127)</u>	<u>518,128</u>	<u>6,295</u>	<u>(529,960)</u>
Total enterprise bonds payable, net.....				<u>\$ 35,583,891</u>	<u>\$ 9,331,799</u>	<u>\$ 9,942,331</u>	<u>\$ 33,949,693</u>

(1) Debt issued to finance Town capital expenditures.

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 2,656,885	\$ 1,121,955	\$ 3,778,840
2014.....	2,540,129	1,039,543	3,579,672
2015.....	2,538,070	959,077	3,497,147
2016.....	2,541,613	874,064	3,415,677
2017.....	2,514,956	785,676	3,300,632
2018.....	2,495,004	701,165	3,196,169
2019.....	2,490,358	609,576	3,099,934
2020.....	2,525,819	510,360	3,036,179
2021.....	2,516,391	422,623	2,939,014
2022.....	2,472,076	337,716	2,809,792
2023.....	2,002,876	260,328	2,263,204
2024.....	1,783,792	200,608	1,984,400
2025.....	1,324,829	149,807	1,474,636
2026.....	1,205,987	102,971	1,308,958
2027.....	1,212,268	60,158	1,272,426
2028.....	597,238	26,777	624,015
2029.....	202,991	11,028	214,019
2030.....	45,000	3,764	48,764
2031.....	45,000	2,058	47,058
2032.....	<u>20,000</u>	<u>326</u>	<u>20,326</u>
Totals.....	<u>\$ 33,731,282</u>	<u>\$ 8,179,577</u>	<u>\$ 41,910,859</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2012, approximately \$1,551,000 of such assistance was received. Approximately \$7,348,000 will be received in future fiscal years. Of this amount, approximately \$451,000 represents reimbursement of long-term interest costs, and approximately \$6,897,000 represents reimbursement of approved construction costs. Accordingly, a \$6,897,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In fiscal year 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of fiscal year 2012, the Town has recorded capital grant proceeds totaling \$1,820,000, from the MSBA, which is equal to 44% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$316,000 of grant proceeds in fiscal 2013.

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, 2012, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 1,460,000
Landfill.....	8,270,000
Municipal buildings.....	2,925,000
Technology.....	2,500,000
Public safety.....	500,000
Public works.....	1,400,000
School projects.....	46,323,000
Sewer projects.....	3,950,000
Water projects.....	3,979,000
<b>Total.....</b>	<b>\$ 71,307,000</b>

**Changes in Long-term Liabilities**

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Long-term bonds payable.....	\$ 51,225,999	\$ 9,930,700	\$ (10,919,000)	\$ 50,237,699	\$ 5,813,900
Add: unamortized premium.....	755,356	686,300	(133,701)	1,307,955	234,789
Less: deferred charges on refunding.....	(707,097)	261,695	(160,336)	(808,456)	(172,854)
Total bonds payable.....	51,274,258	10,878,695	(11,213,037)	50,737,198	5,875,835
Other postemployment benefits.....	35,089,000	16,548,000	(5,965,000)	45,672,000	-
Workers' compensation.....	384,000	91,000	(129,000)	346,000	346,000
Compensated absences.....	4,633,000	1,282,000	(1,343,000)	4,572,000	1,282,000
Landfill closure.....	13,649,000	176,000	(73,000)	13,752,000	225,000
Total governmental activity long-term liabilities.....	<u>\$ 105,029,258</u>	<u>\$ 28,975,695</u>	<u>\$ (18,723,037)</u>	<u>\$ 115,079,198</u>	<u>\$ 7,728,835</u>
<b>Business-Type Activities:</b>					
Long-term bonds and notes.....	\$ 35,602,018	\$ 8,065,300	\$ (9,936,036)	\$ 33,731,282	\$ 2,656,885
Add: unamortized premium.....	-	748,371	-	748,371	120,362
Less: deferred charges on refunding.....	(18,127)	518,128	(6,295)	(529,960)	(87,573)
Total bonds payable.....	35,583,891	9,331,799	(9,942,331)	33,949,693	2,689,674
Other postemployment benefits.....	754,000	340,000	(110,000)	984,000	-
Compensated absences.....	410,000	94,000	(136,000)	368,000	111,000
Total business-type activity long-term liabilities.....	<u>\$ 36,747,891</u>	<u>\$ 9,765,799</u>	<u>\$ (10,188,331)</u>	<u>\$ 35,301,693</u>	<u>\$ 2,800,674</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above and include accrued liabilities for workers' compensation totaling \$346,000. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

#### **NOTE 8 – 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.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Cemetery.....	\$ -	\$ -	883,121	\$ 883,121
Library.....	-	-	5,000	5,000
Town welfare/other.....	-	-	386,629	386,629
Restricted for:				
Town grants/other revolving.....	-	-	5,353,209	5,353,209
School grants/other revolving.....	-	-	2,757,135	2,757,135
School lunch.....	-	-	441,288	441,288
Road/drainage projects.....	-	-	2,817,518	2,817,518
Conservation.....	-	-	167,065	167,065
Municipal buildings.....	-	-	585,221	585,221
Other.....	-	-	682,248	682,248
Cemetery.....	-	-	166,219	166,219
Library.....	-	-	68,005	68,005
Town welfare/other.....	-	-	282,019	282,019
Committed to:				
General government.....	13,461	-	-	13,461
Community services.....	538	-	-	538
Assigned to:				
General government.....	248,841	-	-	248,841
Public safety.....	151,768	-	-	151,768
Education.....	1,017,214	-	-	1,017,214
Public works.....	653,902	-	-	653,902
Plant and facilities.....	67,952	-	-	67,952
Community services.....	27,245	-	-	27,245
Library.....	30,200	-	-	30,200
Unassigned.....	<u>10,772,493</u>	<u>(2,174,741)</u>	<u>-</u>	<u>8,597,752</u>
TOTAL FUND BALANCES.....	<u>\$ 12,983,614</u>	<u>\$ (2,174,741)</u>	<u>\$ 14,594,677</u>	<u>\$ 25,403,550</u>

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 fiscal year end, the balance of the general stabilization fund is \$5,064,141 and is reported as unassigned fund balance within the General Fund.

**NOTE 9 – 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 fiscal years.

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

(a) *Workers' Compensation*

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

At June 30, 2012, the amount of the liability for workers' compensation claims totaled \$346,000. Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2011.....	\$ 273,000	\$ 273,000	\$ (162,000)	\$ 384,000	\$ 384,000
Fiscal Year 2012.....	384,000	91,000	(129,000)	346,000	346,000

**NOTE 10 – PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$12,582,884 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

At December 31, 2011, the System's membership consists of the following:

Active members.....	706
Inactive members.....	111
Disabled members.....	40
Retirees and beneficiaries currently receiving benefits.....	<u>353</u>
Total.....	<u><u>1,210</u></u>

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

*Annual Pension Cost* - The Town's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$5,085,067, \$4,712,555, and \$4,583,113, respectively, which equaled its required contribution for each fiscal year. At June 30, 2012, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases ranging from 7.00% decreasing to 4.75% after 9 years of service for group 1, ranging from 7.00% decreasing to 5.00% after 7 years of service for group 2, and ranging from 8.00% decreasing to 5.25% after 8 years for group 4 employees. The actuarial value of the System's assets is determined in accordance with the deferred recognition method. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an increasing basis. The remaining amortization period at June 30, 2012, was 28 years. The System is scheduled to be fully funded by 2040 which meets the MGL requirement of full funding by fiscal 2040. The Town's funded rate was 49.7% as of the most recent actuarial valuation.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 95,692	\$ 192,534	\$ 96,842	50%	\$ 34,436	281%
01/01/10	92,289	167,447	75,158	55%	32,416	232%
01/01/07	99,953	136,899	36,946	73%	30,468	121%
01/01/04	81,431	104,232	22,801	78%	27,551	83%
01/01/01	69,752	86,928	17,176	80%	24,596	70%
01/01/99	59,350	76,915	17,565	77%	21,631	81%

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

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

#### **NOTE 11 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$13,752,000 as the estimate of the landfill closure liability at June 30, 2012, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The Town implemented the provisions of GASB Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and established its "Other Postemployment Benefit Trust Fund". The Town voted to begin pre-funding its OPEB liabilities through the use of this fund.

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

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

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

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 fiscal year 2012, the Town did not make any additional contributions to pre-fund future OPEB liabilities.

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

The components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 16,523,000
Interest on net OPEB obligation.....	1,613,000
Adjustment to annual required contribution.....	<u>(1,248,000)</u>
Annual OPEB cost (expense).....	16,888,000
Contributions made.....	<u>(6,075,000)</u>
Increase in net OPEB obligation.....	10,813,000
Net OPEB obligation-beginning of year.....	<u>35,843,000</u>
Net OPEB obligation-end of year.....	<u>\$ 46,656,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 16,888,000	\$ 36%	\$ 46,656,000
6/30/2011	15,704,000	37%	35,843,000
6/30/2010	18,878,000	29%	26,018,000
6/30/2009	18,051,000	30%	12,688,000

*Funded Status and Funding Progress* – As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$215.3 million, of which the Town had funded \$704,000. The covered payroll (annual payroll of active employees covered by the plan) was \$87 million, and the ratio of the UAAL to the covered payroll was 246.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2011 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical care inflation rate of 10% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30-year period, using the level percentage of projected payroll method, on a closed basis, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2012 is 26 years.

#### **NOTE 13 – COMMITMENTS**

The Town has contracted with Allied Waste (formerly BFI) for refuse collection and hauling through June 30, 2014. The fiscal 2012 cost to the Town under the Allied contract is approximately \$927,000.

The Town has contracted with Integrated Paper for recycling collection and hauling through June 30, 2012 and is in the process of finalizing a new agreement through June 30, 2014. The fiscal 2012 cost to the Town under the Integrated Paper contract is approximately \$320,000.

The Town has entered into or is planning to enter into contracts totaling approximately \$43.8 million for the construction of the new Bancroft elementary school. The Town has expended approximately \$3.5 million as of June 30, 2012 towards completion of the project.

The Town has entered into or is planning to enter into contracts totaling approximately \$1.5 million for the West elementary school roofing project. The Town has expended approximately \$1.4 million as of June 30, 2012 to complete the project.

The Town has entered into or is planning to enter into contracts totaling approximately \$50.0 million for the construction of various water and sewer infrastructure projects. The Town has expended approximately \$41.8 million as of June 30, 2012 to complete the projects.

#### **NOTE 14 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

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

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 107,394,042	\$ 107,894,042	\$ 108,316,174	\$ -	\$ 422,132
Tax liens.....	-	-	264,004	-	264,004
Motor vehicle excise taxes.....	4,500,000	4,500,000	4,471,696	-	(28,304)
Hotel/motel tax.....	1,285,000	1,285,000	1,353,137	-	68,137
Meals tax.....	475,000	475,000	517,177	-	42,177
Penalties and interest on taxes.....	286,000	286,000	416,902	-	130,902
Licenses and permits.....	1,404,100	1,404,100	1,536,310	-	132,210
Intergovernmental.....	10,655,105	10,655,105	11,028,372	-	373,267
Departmental and other.....	2,812,235	2,812,235	3,065,363	-	253,128
Investment income.....	70,000	70,000	37,863	-	(32,137)
<b>TOTAL REVENUES.....</b>	<b>128,881,482</b>	<b>129,381,482</b>	<b>131,006,998</b>	<b>-</b>	<b>1,625,516</b>
<b>EXPENDITURES:</b>					
Current:					
General government:					
Personal services.....	5,222,084	5,220,989	4,875,726	200,000	145,263
Other expenses.....	1,394,706	1,395,801	1,270,828	62,302	62,671
<b>TOTAL.....</b>	<b>6,616,790</b>	<b>6,616,790</b>	<b>6,146,554</b>	<b>262,302</b>	<b>207,934</b>
Public safety:					
Personal services.....	12,976,728	12,976,728	12,613,809	11,000	351,919
Other expenses.....	1,534,036	1,534,036	1,366,254	140,768	27,014
<b>TOTAL.....</b>	<b>14,510,764</b>	<b>14,510,764</b>	<b>13,980,063</b>	<b>151,768</b>	<b>378,933</b>
Education:					
Personal services.....	48,405,991	48,905,991	48,431,457	474,534	-
Other expenses.....	15,048,705	15,048,705	14,506,025	542,680	-
<b>TOTAL.....</b>	<b>63,454,696</b>	<b>63,954,696</b>	<b>62,937,482</b>	<b>1,017,214</b>	<b>-</b>
Public works:					
Personal services.....	1,663,249	1,663,249	1,582,276	10,000	70,973
Other expenses.....	3,773,565	3,773,565	3,010,465	643,902	119,198
<b>TOTAL.....</b>	<b>5,436,814</b>	<b>5,436,814</b>	<b>4,592,741</b>	<b>653,902</b>	<b>190,171</b>
Plant and facilities:					
Personal services.....	3,143,159	3,143,159	3,097,653	15,000	30,506
Other expenses.....	1,454,115	1,454,115	1,400,904	52,952	259
<b>TOTAL.....</b>	<b>4,597,274</b>	<b>4,597,274</b>	<b>4,498,557</b>	<b>67,952</b>	<b>30,765</b>
Community services:					
Personal services.....	1,220,030	1,219,611	1,190,646	20,000	8,965
Other expenses.....	469,444	469,863	445,882	7,783	16,198
<b>TOTAL.....</b>	<b>1,689,474</b>	<b>1,689,474</b>	<b>1,636,528</b>	<b>27,783</b>	<b>25,163</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
Library:					
Personal services.....	1,833,122	1,833,122	1,796,990	30,000	6,132
Other expenses.....	593,900	593,900	593,700	200	-
TOTAL.....	2,427,022	2,427,022	2,390,690	30,200	6,132
Pension benefits.....	5,085,067	4,922,067	4,921,151	-	916
Property and liability insurance.....	666,013	829,013	827,013	-	2,000
Employee benefits.....	15,287,209	15,287,209	15,134,416	-	152,793
State and county charges.....	2,426,090	2,426,090	2,433,163	-	(7,073)
Debt service:					
Principal.....	6,194,000	6,194,000	6,194,000	-	-
Interest.....	2,042,930	2,042,930	1,886,717	-	156,213
TOTAL.....	8,236,930	8,236,930	8,080,717	-	156,213
TOTAL EXPENDITURES.....	130,434,143	130,934,143	127,579,075	2,211,121	1,143,947
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,552,661)	(1,552,661)	3,427,923	(2,211,121)	2,769,463
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds and notes.....	-	-	239,602	-	239,602
Transfers in.....	2,011,972	2,011,972	1,950,838	-	(61,134)
Transfers out.....	(1,246,400)	(1,246,400)	(1,246,400)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	765,572	765,572	944,040	-	178,468
NET CHANGE IN FUND BALANCE.....	(787,089)	(787,089)	4,371,963	(2,211,121)	2,947,931
BUDGETARY FUND BALANCE, Beginning of year.....	4,278,440	4,278,440	4,278,440	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 3,491,351	\$ 3,491,351	\$ 8,650,403	\$ (2,211,121)	\$ 2,947,931

See notes to required supplementary information.

(Concluded)

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

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

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

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

Schedule of Funding Progress  
(Dollar Amounts Reported in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 95,692	\$ 192,534	\$ 96,842	50%	\$ 34,436	281%
01/01/10	92,289	167,447	75,158	55%	32,416	232%
01/01/07	99,953	136,899	36,946	73%	30,468	121%
01/01/04	81,431	104,232	22,801	78%	27,551	83%
01/01/01	69,752	86,928	17,176	80%	24,596	70%
01/01/99	59,350	76,915	17,565	77%	21,631	81%
01/01/98	48,768	71,164	22,396	69%	20,700	108%

Schedule of Employer Contributions

Fiscal Year Ended	System Wide			Town of Andover	
	Annual Required Contributions	Actual Contributions Made	Percentage Contributed	Actual Contributions Made	Town Contributions as a Percentage of System Wide Contributions
2012	\$ 5,151,000	\$ 5,151,000	100%	\$ 5,085,067	99%
2011	4,769,310	4,769,310	100%	4,712,555	99%
2010	4,634,088	4,634,088	100%	4,583,113	99%
2009	4,503,175	4,503,175	100%	4,458,594	99%
2008	4,384,052	4,384,052	100%	4,341,568	99%
2007	4,099,897	4,099,897	100%	4,058,898	99%
2006	3,910,205	3,910,205	100%	3,865,238	99%
2005	3,580,864	3,580,864	100%	3,545,055	99%

See notes to required supplementary information.

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

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

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

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2011	\$ 704,000	\$ 215,258,000	\$ 214,554,000	0.3%	\$ 87,023,000	246.5%
6/30/2009	-	245,108,000	245,108,000	0.0%	80,768,000	303.5%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2012	\$ 16,523,000	\$ 6,075,000	37%
2011	15,439,000	5,879,000	38%
2010	19,029,000	5,548,000	29%
2009	18,051,000	5,363,000	30%

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

See notes to required supplementary information.

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

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Actuarial Methods:

Valuation date.....	June 30, 2011
Actuarial cost method.....	Projected unit credit
Amortization method.....	Level percentage of projected payroll
Remaining amortization period.....	26 years, closed

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10% graded to 5.0% over 10 years

Plan Membership:

Current retirees, beneficiaries, and dependents.....	872
Current active members.....	<u>1,211</u>
Total.....	<u><u>2,083</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget authorized approximately \$131.7 million in appropriations and other amounts to be raised. During fiscal year 2012, Town Meeting also approved supplemental appropriations totaling \$500,000.

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

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$ 4,371,963
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	169,741
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts.....	241,070
Net change in recording tax refunds payable.....	(737,000)
Recognition of revenue for on-behalf payments.....	12,582,884
Recognition of expenditures for on-behalf payments.....	<u>(12,582,884)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 4,045,774</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2012, state and county charges exceeded appropriations. These over expenditures will be funded in the subsequent years tax levy.

**NOTE B – PENSION PLAN**

The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$12,583,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

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

At June 30, 2012, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return and projected salary increases ranging from 7.00% decreasing to 4.75% after 9 years of service for group 1, ranging from 7.00% decreasing to 5.00% after 7 years of service for group 2, and ranging from 8.00% decreasing to 5.25% after 8 years for group 4 employees. The actuarial value of the System's assets was determined in accordance with the deferred recognition method. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an increasing basis. The remaining amortization period at June 30, 2012, was 28 years. The System is scheduled to be fully funded by 2040 which meets the MGL requirement of full funding by fiscal 2040. The Town's funded rate was 49.7% as of the last actuarial valuation.

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

#### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is .3%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

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

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

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# ***Combining 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.

*Highway Construction Fund* – This fund is used to account for the construction and reconstruction of the Town's roadways. These projects are funded by state grants from the Massachusetts Highway Department.

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

## ***Capital Projects Funds***

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

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

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

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

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

## ***Permanent Funds***

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

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2012

	<b>Special Revenue Funds</b>				
	Town Grants/ Other Revolving	School Grants/ Other Revolving	Highway Construction	School Lunch	Sub-total
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 2,919,953	\$ 2,736,758	\$ -	\$ 441,288	\$ 6,097,999
Investments.....	2,687,999	-	-	-	2,687,999
Receivables, net of uncollectibles:					
Departmental and other.....	100,759	-	-	-	100,759
Intergovernmental.....	-	68,120	2,966,618	-	3,034,738
<b>TOTAL ASSETS.....</b>	<b>\$ 5,708,711</b>	<b>\$ 2,804,878</b>	<b>\$ 2,966,618</b>	<b>\$ 441,288</b>	<b>\$ 11,921,495</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 255,139	\$ 30,438	\$ 824,036	\$ -	\$ 1,109,613
Accrued payroll.....	-	17,305	-	-	17,305
Deferred revenues.....	100,363	-	1,911,251	-	2,011,614
Due to other funds.....	-	-	231,331	-	231,331
<b>TOTAL LIABILITIES.....</b>	<b>355,502</b>	<b>47,743</b>	<b>2,966,618</b>	<b>-</b>	<b>3,369,863</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	5,353,209	2,757,135	-	441,288	8,551,632
<b>TOTAL FUND BALANCES.....</b>	<b>5,353,209</b>	<b>2,757,135</b>	<b>-</b>	<b>441,288</b>	<b>8,551,632</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 5,708,711</b>	<b>\$ 2,804,878</b>	<b>\$ 2,966,618</b>	<b>\$ 441,288</b>	<b>\$ 11,921,495</b>

**Capital Project Funds**

Road/ Drainage Projects	Conservation	Municipal Buildings	Other	Sub-total
\$ 2,847,271	\$ 167,873	\$ 605,285	\$ 701,790	\$ 4,322,219
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,847,271</u>	<u>\$ 167,873</u>	<u>\$ 605,285</u>	<u>\$ 701,790</u>	<u>\$ 4,322,219</u>
\$ 29,753	\$ 808	\$ 20,064	\$ 19,542	\$ 70,167
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>29,753</u>	<u>808</u>	<u>20,064</u>	<u>19,542</u>	<u>70,167</u>
-	-	-	-	-
<u>2,817,518</u>	<u>167,065</u>	<u>585,221</u>	<u>682,248</u>	<u>4,252,052</u>
<u>2,817,518</u>	<u>167,065</u>	<u>585,221</u>	<u>682,248</u>	<u>4,252,052</u>
<u>\$ 2,847,271</u>	<u>\$ 167,873</u>	<u>\$ 605,285</u>	<u>\$ 701,790</u>	<u>\$ 4,322,219</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2012

<b>ASSETS</b>	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
Cash and cash equivalents.....	\$ 1,050,406	\$ 73,005	\$ 670,833	\$ 1,794,244	\$ 12,214,462
Investments.....	-	-	-	-	2,687,999
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	100,759
Intergovernmental.....	-	-	-	-	3,034,738
<b>TOTAL ASSETS.....</b>	<b>\$ 1,050,406</b>	<b>\$ 73,005</b>	<b>\$ 670,833</b>	<b>\$ 1,794,244</b>	<b>\$ 18,037,958</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
LIABILITIES:					
Warrants payable.....	\$ 1,066	\$ -	\$ 2,185	\$ 3,251	\$ 1,183,031
Accrued payroll.....	-	-	-	-	17,305
Deferred revenues.....	-	-	-	-	2,011,614
Due to other funds.....	-	-	-	-	231,331
<b>TOTAL LIABILITIES.....</b>	<b>1,066</b>	<b>-</b>	<b>2,185</b>	<b>3,251</b>	<b>3,443,281</b>
FUND BALANCES:					
Nonspendable.....	883,121	5,000	386,629	1,274,750	1,274,750
Restricted.....	166,219	68,005	282,019	516,243	13,319,927
<b>TOTAL FUND BALANCES.....</b>	<b>1,049,340</b>	<b>73,005</b>	<b>668,648</b>	<b>1,790,993</b>	<b>14,594,677</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,050,406</b>	<b>\$ 73,005</b>	<b>\$ 670,833</b>	<b>\$ 1,794,244</b>	<b>\$ 18,037,958</b>

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

FISCAL YEAR ENDED JUNE 30, 2012

	<i>Special Revenue Funds</i>				
	Town Grants/ Other Revolving	School Grants/ Other Revolving	Highway Construction	School Lunch	Sub-total
<b>REVENUES:</b>					
Charges for services.....	\$ 146,950	\$ -	\$ -	\$ -	\$ 146,950
Fees.....	342,399	-	-	-	342,399
Fines and forfeitures.....	1,100	-	-	-	1,100
Intergovernmental.....	546,248	5,632,992	2,026,011	277,222	8,482,473
Departmental and other.....	3,170,429	2,243,974	-	1,912,763	7,327,166
Contributions.....	853,819	8,000	-	-	861,819
Investment income.....	64,095	-	-	-	64,095
<b>TOTAL REVENUES.....</b>	<b>5,125,040</b>	<b>7,884,966</b>	<b>2,026,011</b>	<b>2,189,985</b>	<b>17,226,002</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	867,677	-	-	-	867,677
Plant and facilities.....	531,026	-	-	-	531,026
Public safety.....	1,393,679	-	-	-	1,393,679
Education.....	13,824	6,120,620	-	2,129,849	8,264,293
Public works.....	92,362	-	2,026,011	-	2,118,373
Human services.....	1,237,461	-	-	-	1,237,461
Library.....	147,357	-	-	-	147,357
Capital outlay.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>4,283,386</b>	<b>6,120,620</b>	<b>2,026,011</b>	<b>2,129,849</b>	<b>14,559,866</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>841,654</b>	<b>1,764,346</b>	<b>-</b>	<b>60,136</b>	<b>2,666,136</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	-	-
Transfers in.....	-	-	-	-	-
Transfers out.....	(311,264)	-	-	-	(311,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(311,264)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(311,264)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>530,390</b>	<b>1,764,346</b>	<b>-</b>	<b>60,136</b>	<b>2,354,872</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>4,822,819</b>	<b>992,789</b>	<b>-</b>	<b>381,152</b>	<b>6,196,760</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,353,209</b>	<b>\$ 2,757,135</b>	<b>\$ -</b>	<b>\$ 441,288</b>	<b>\$ 8,551,632</b>

**Capital Project Funds**

Road/ Drainage Projects	Conservation	Municipal Buildings	Other	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,133,367	11,408	490,770	277,763	2,913,308
2,133,367	11,408	490,770	277,763	2,913,308
(2,133,367)	(11,408)	(490,770)	(277,763)	(2,913,308)
2,699,000	-	525,000	800,000	4,024,000
1,261,402	-	-	29,998	1,291,400
-	-	(30,000)	-	(30,000)
3,960,402	-	495,000	829,998	5,285,400
1,827,035	(11,408)	4,230	552,235	2,372,092
990,483	178,473	580,991	130,013	1,879,960
<u>\$ 2,817,518</u>	<u>\$ 167,065</u>	<u>\$ 585,221</u>	<u>\$ 682,248</u>	<u>\$ 4,252,052</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 146,950
Fees and rentals.....	-	-	-	-	342,399
Fines and forfeitures.....	-	-	-	-	1,100
Intergovernmental.....	-	-	-	-	8,482,473
Departmental and other.....	-	-	-	-	7,327,166
Contributions.....	29,872	14,018	1,090	44,980	906,799
Investment income.....	12,545	2,134	19,723	34,402	98,497
<b>TOTAL REVENUES.....</b>	<b>42,417</b>	<b>16,152</b>	<b>20,813</b>	<b>79,382</b>	<b>17,305,384</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	867,677
Plant and facilities.....	-	-	-	-	531,026
Public safety.....	-	-	-	-	1,393,679
Education.....	-	-	-	-	8,264,293
Public works.....	-	-	-	-	2,118,373
Human services.....	-	-	450	450	1,237,911
Library.....	-	-	9,351	9,351	156,708
Capital outlay.....	-	-	-	-	2,913,308
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>-</b>	<b>9,801</b>	<b>9,801</b>	<b>17,482,975</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>42,417</b>	<b>16,152</b>	<b>11,012</b>	<b>69,581</b>	<b>(177,591)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	-	4,024,000
Transfers in.....	-	-	-	-	1,291,400
Transfers out.....	(15,000)	-	-	(15,000)	(356,264)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(15,000)</b>	<b>-</b>	<b>-</b>	<b>(15,000)</b>	<b>4,959,136</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>27,417</b>	<b>16,152</b>	<b>11,012</b>	<b>54,581</b>	<b>4,781,545</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,021,923</b>	<b>56,853</b>	<b>657,636</b>	<b>1,736,412</b>	<b>9,813,132</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,049,340</b>	<b>\$ 73,005</b>	<b>\$ 668,648</b>	<b>\$ 1,790,993</b>	<b>\$ 14,594,677</b>

(Concluded)

# ***Internal Service Funds***

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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

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

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

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

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

JUNE 30, 2012

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>					
CURRENT:					
Cash and cash equivalents.....	\$ 226,014	\$ 42,764	\$ 722,205	\$ 128,832	\$ 1,119,815
<b>LIABILITIES</b>					
CURRENT:					
Warrants payable.....	500	-	4,000	-	4,500
Workers' compensation.....	-	-	-	346,000	346,000
TOTAL LIABILITIES.....	<u>500</u>	<u>-</u>	<u>4,000</u>	<u>346,000</u>	<u>350,500</u>
<b>NET ASSETS</b>					
Unrestricted.....	<u>\$ 225,514</u>	<u>\$ 42,764</u>	<u>\$ 718,205</u>	<u>\$ (217,168)</u>	<u>\$ 769,315</u>

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

FISCAL YEAR ENDED JUNE 30, 2012

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions .....	\$ -	\$ -	\$ 4,320,685	\$ -	\$ 4,320,685
Employer contributions .....	-	100,000	14,891,681	214,349	15,206,030
<b>TOTAL OPERATING REVENUES .....</b>	<b>-</b>	<b>100,000</b>	<b>19,212,366</b>	<b>214,349</b>	<b>19,526,715</b>
<b>OPERATING EXPENSES:</b>					
Employee benefits .....	-	217,909	19,191,065	91,220	19,500,194
Insurance.....	500	-	-	-	500
<b>TOTAL OPERATING EXPENSES .....</b>	<b>500</b>	<b>217,909</b>	<b>19,191,065</b>	<b>91,220</b>	<b>19,500,694</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(500)</b>	<b>(117,909)</b>	<b>21,301</b>	<b>123,129</b>	<b>26,021</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	25,305	266	1,522	-	27,093
<b>CHANGE IN NET ASSETS.....</b>	<b>24,805</b>	<b>(117,643)</b>	<b>22,823</b>	<b>123,129</b>	<b>53,114</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>200,709</b>	<b>160,407</b>	<b>695,382</b>	<b>(340,297)</b>	<b>716,201</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 225,514</b>	<b>\$ 42,764</b>	<b>\$ 718,205</b>	<b>\$ (217,168)</b>	<b>\$ 769,315</b>

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

FISCAL YEAR ENDED JUNE 30, 2012

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 4,320,685	\$ -	\$ 4,320,685
Receipts from interfund services provided.....	-	100,000	14,891,681	214,349	15,206,030
Payments to vendors.....	(500)	-	-	-	(500)
Payments to employees.....	-	-	(79,315)	-	(79,315)
Payments for interfund services used.....	500	(217,909)	(19,109,500)	(129,220)	(19,456,129)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>-</b>	<b>(117,909)</b>	<b>23,551</b>	<b>85,129</b>	<b>(9,229)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>					
Investment income.....	25,305	266	1,522	-	27,093
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>25,305</b>	<b>(117,643)</b>	<b>25,073</b>	<b>85,129</b>	<b>17,864</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	200,709	160,407	697,132	43,703	1,101,951
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 226,014</u>	<u>\$ 42,764</u>	<u>\$ 722,205</u>	<u>\$ 128,832</u>	<u>\$ 1,119,815</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>					
Operating income (loss).....	\$ (500)	\$ (117,909)	\$ 21,301	\$ 123,129	\$ 26,021
Adjustments to reconcile operating income (loss) to net Changes in assets and liabilities:					
Warrants payable.....	500	-	2,250	-	2,750
Workers' compensation.....	-	-	-	(38,000)	(38,000)
Total adjustments.....	500	-	2,250	(38,000)	(35,250)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>-</b>	<b>(117,909)</b>	<b>23,551</b>	<b>85,129</b>	<b>(9,229)</b>

# ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

*Pension Trust Fund* – This fund is used to account for the Andover Contributory Retirement System.

*Other Postemployment Benefit Trust Fund* – This fund is used to account for assets being accumulated to fund future liabilities for other postemployment benefits.

**FIDUCIARY FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Other Postemployment Benefit Trust Fund	Total Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 640,176	\$ 706,248	\$ 1,346,424
Investments:			
PRIT funds.....	86,559,140	-	86,559,140
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	67,959	-	67,959
<b>TOTAL ASSETS</b> .....	<b>87,267,275</b>	<b>706,248</b>	<b>87,973,523</b>
<b>LIABILITIES</b>			
Warrants payable.....	699	-	699
<b>NET ASSETS</b>			
Held in trust for pension benefits, OPEB benefits, and other purposes.....	\$ 87,266,576	\$ 706,248	\$ 87,972,824

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

FISCAL YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Other Postemployment Benefit Trust Fund	Total Employee Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 4,984,957	\$ -	\$ 4,984,957
Employee.....	3,109,415	-	3,109,415
Total contributions.....	8,094,372	-	8,094,372
Net investment income (loss):			
Net change in fair value of investments.....	(2,427,676)	-	(2,427,676)
Interest.....	2,642,451	2,239	2,644,690
Total investment income.....	214,775	2,239	217,014
Less: investment expense.....	(434,767)	-	(434,767)
Net investment income (loss).....	(219,992)	2,239	(217,753)
Intergovernmental.....	112,611	-	112,611
Transfers from other systems.....	520,367	-	520,367
TOTAL ADDITIONS.....	8,507,358	2,239	8,509,597
<b>DEDUCTIONS:</b>			
Administration.....	163,015	-	163,015
Transfers to other systems.....	241,415	-	241,415
Retirement benefits and refunds.....	9,849,729	-	9,849,729
TOTAL DEDUCTIONS.....	10,254,159	-	10,254,159
CHANGE IN NET ASSETS.....	(1,746,801)	2,239	(1,744,562)
NET ASSETS AT BEGINNING OF YEAR.....	89,013,377	704,009	89,717,386
NET ASSETS AT END OF YEAR.....	\$ 87,266,576	\$ 706,248	\$ 87,972,824

# ***Agency Fund***

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

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 901,764	\$ 1,308,772	\$ (1,354,855)	\$ 855,681
<b>LIABILITIES</b>				
Guaranteed deposits.....	\$ 59,753	\$ 1,652	\$ -	\$ 61,405
Other deposits.....	11,787	374	(329)	11,832
Merrimack Valley Library Consortium.....	106,346	150,617	(100,000)	156,963
Student Activities.....	723,878	1,156,129	(1,254,526)	625,481
TOTAL LIABILITIES.....	\$ 901,764	\$ 1,308,772	\$ (1,354,855)	\$ 855,681

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# ***Statistical Section***



**File Photo: Water Treatment Plant**

# ***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 Assets By Component**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt....	\$ 73,686,298	\$ 89,679,889	\$ 91,145,822	\$ 89,418,470	\$ 91,189,027	\$ 91,685,536	\$ 89,103,313	\$ 93,007,654	\$ 93,315,362	\$ 97,503,961
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472	5,039,470	3,395,370	3,796,181	3,976,293	6,194,838
Unrestricted.....	10,133,275	12,351,114	9,873,633	12,307,988	10,474,688	666,172	(11,182,850)	(25,064,804)	(33,596,579)	(42,544,729)
<b>Total governmental activities net assets.....</b>	<b>\$ 89,039,534</b>	<b>\$ 105,669,033</b>	<b>\$ 105,445,842</b>	<b>\$ 105,758,487</b>	<b>\$ 106,274,187</b>	<b>\$ 97,391,178</b>	<b>\$ 81,315,833</b>	<b>\$ 71,739,031</b>	<b>\$ 63,695,076</b>	<b>\$ 61,154,070</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt....	43,348,130	46,387,305	46,027,798	44,383,954	45,396,161	46,338,405	47,347,751	47,583,170	47,534,459	46,353,252
Unrestricted.....	12,903,877	10,528,648	13,264,116	15,604,638	14,824,192	13,060,062	20,682,749	18,915,881	18,241,146	18,385,626
<b>Total business-type activities net assets.....</b>	<b>\$ 56,252,007</b>	<b>\$ 56,915,953</b>	<b>\$ 59,291,914</b>	<b>\$ 59,988,592</b>	<b>\$ 60,220,353</b>	<b>\$ 59,398,467</b>	<b>\$ 68,030,500</b>	<b>\$ 66,499,051</b>	<b>\$ 65,775,605</b>	<b>\$ 64,738,878</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt....	117,034,428	136,067,194	137,173,620	133,802,424	136,585,188	138,023,941	136,451,064	140,590,824	140,849,821	143,857,213
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472	5,039,470	3,395,370	3,796,181	3,976,293	6,194,838
Unrestricted.....	23,037,152	22,879,762	23,137,749	27,912,626	25,298,880	13,726,234	9,499,899	(6,148,923)	(15,355,433)	(24,159,103)
<b>Total primary government net assets.....</b>	<b>\$ 145,291,541</b>	<b>\$ 162,584,986</b>	<b>\$ 164,737,756</b>	<b>\$ 165,747,079</b>	<b>\$ 166,494,540</b>	<b>\$ 156,789,645</b>	<b>\$ 149,346,333</b>	<b>\$ 138,238,082</b>	<b>\$ 129,470,681</b>	<b>\$ 125,892,948</b>

Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 5,871,040	\$ 6,384,815	\$ 6,116,927	\$ 6,370,915	\$ 7,135,773	\$ 7,001,802	\$ 7,435,711	\$ 7,853,717	\$ 7,849,705	\$ 9,579,841
Plant and facilities.....	6,298,425	6,595,195	5,663,229	5,971,059	6,312,238	5,369,831	5,647,761	5,610,304	5,868,634	6,301,667
Public safety.....	16,426,508	16,675,121	17,246,901	17,782,178	17,692,134	21,417,994	21,464,611	20,464,627	21,454,951	21,019,992
Education.....	65,118,057	67,227,226	72,624,199	79,034,278	85,198,802	89,739,079	109,409,021	109,285,301	109,991,085	110,530,908
Public works.....	8,434,701	7,768,193	9,038,654	7,405,556	9,257,382	16,215,311	7,993,148	7,086,407	8,104,996	6,671,929
Community services.....	2,867,018	2,797,537	2,806,626	2,833,581	3,082,209	3,196,831	3,401,157	3,410,882	3,473,959	3,547,165
Library.....	3,125,588	3,447,297	3,326,096	3,433,876	3,748,315	3,969,982	4,230,163	4,158,325	4,004,711	3,330,995
Interest.....	3,228,511	2,953,651	3,028,040	2,569,615	3,079,688	2,610,346	2,157,682	1,692,345	1,733,882	1,813,401
Total government activities expenses.....	111,369,848	113,849,035	119,850,672	125,401,058	135,506,541	149,521,176	161,739,254	159,561,908	162,481,923	162,795,898
Business-type activities:										
Water.....	4,938,649	5,180,484	5,279,568	5,522,811	5,837,589	6,152,545	6,533,573	5,423,483	6,143,129	6,459,218
Sewer.....	2,850,949	3,114,483	3,418,402	3,920,303	3,698,176	4,065,119	4,273,853	4,662,645	4,438,234	4,157,552
Total business-type activities expenses.....	7,789,598	8,294,967	8,697,970	9,443,114	9,535,765	10,217,664	10,807,426	10,086,128	10,581,363	10,616,770
Total primary government expenses.....	\$ 119,159,446	\$ 122,144,002	\$ 128,548,642	\$ 134,844,172	\$ 145,042,306	\$ 159,738,840	\$ 172,546,680	\$ 169,648,036	\$ 173,063,286	\$ 173,412,668
<b>Program Revenues</b>										
Governmental activities:										
Public safety charges for services.....	\$ 3,307,838	\$ 3,601,991	\$ 5,047,096	\$ 4,173,141	\$ 3,880,398	\$ 4,326,730	\$ 3,790,779	\$ 3,755,724	\$ 3,649,023	\$ 4,179,923
Education charges for services.....	2,435,502	2,631,861	3,221,619	3,303,391	3,556,254	3,891,867	3,869,698	4,159,428	4,447,671	4,406,316
Other charges for services.....	1,969,503	2,232,896	2,217,961	2,459,937	2,757,509	3,275,730	2,992,813	3,458,043	2,980,246	3,263,775
Education operating grants and contributions.....	13,649,175	14,287,070	16,723,671	16,421,600	18,485,493	20,831,731	23,010,714	24,013,602	24,783,904	25,611,406
Other operating grants and contributions.....	2,124,490	1,701,550	1,592,768	2,054,108	2,386,728	2,042,371	2,822,588	2,024,443	1,759,998	1,607,599
General government capital grant and contributions.....	-	17,800,725	211,662	63,731	12,105	-	-	-	259,600	-
Public works capital grant and contributions.....	674,243	1,022,245	601,504	826,869	2,579,033	776,474	1,033,675	1,062,707	1,378,068	-
Other capital grant and contributions.....	-	-	-	-	-	-	10,992	-	-	2,310,588
Total government activities program revenues.....	24,160,751	43,278,338	29,616,281	29,302,777	33,657,520	35,144,903	37,531,259	38,473,947	39,258,510	41,379,607
Business-type activities:										
Water charges for services.....	6,146,648	5,466,703	5,948,163	6,135,750	6,026,114	6,624,742	6,557,656	6,107,981	7,539,658	6,974,207
Sewer charges for services.....	2,839,609	3,125,887	3,287,453	3,200,763	3,900,287	4,274,584	4,048,056	4,090,182	3,995,288	4,236,585
Other capital grant and contributions.....	3,740,314	1,436,501	3,270,890	2,706,471	1,838,804	158,190	10,798,240	229,534	41,759	-
Total business-type activities program revenues.....	12,726,571	10,029,091	12,506,506	12,042,984	11,765,205	11,057,516	21,403,952	10,427,697	11,576,705	11,210,792
Total primary government program revenues.....	\$ 36,887,322	\$ 53,307,429	\$ 42,122,787	\$ 41,345,761	\$ 45,422,725	\$ 46,202,419	\$ 58,935,211	\$ 48,901,644	\$ 50,835,215	\$ 52,590,399
<b>Net (Expense)/Program Revenue</b>										
Governmental activities.....	\$ (87,209,097)	\$ (70,570,697)	\$ (90,234,391)	\$ (96,098,281)	\$ (101,849,021)	\$ (114,376,273)	\$ (124,207,995)	\$ (121,087,961)	\$ (123,223,413)	\$ (121,416,291)
Business-type activities.....	4,936,973	1,734,124	3,808,536	2,599,870	2,229,440	839,852	10,596,526	341,569	995,342	594,022
Total primary government net (expense)/program revenue.....	\$ (82,272,124)	\$ (68,836,573)	\$ (86,425,855)	\$ (93,498,411)	\$ (99,619,581)	\$ (113,536,421)	\$ (113,611,469)	\$ (120,746,392)	\$ (122,228,071)	\$ (120,822,269)
<b>General Revenues and other Changes in Net Assets</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 74,916,769	\$ 78,018,623	\$ 80,128,940	\$ 85,467,543	\$ 89,517,870	\$ 93,240,977	\$ 96,597,993	\$ 100,368,252	\$ 103,594,344	\$ 107,658,022
Tax liens.....	217,181	156,432	169,769	137,894	160,701	188,869	316,513	416,598	352,839	231,426
Motor vehicle excise taxes.....	4,761,307	4,449,959	4,695,077	4,737,214	4,665,464	4,704,891	4,407,674	4,510,747	4,722,659	4,530,897
Hotel/motel tax.....	862,883	709,595	777,164	702,732	1,040,438	897,765	860,090	1,288,661	1,288,661	1,353,137
Meals tax.....	-	-	-	-	-	-	-	136,239	478,403	517,177
Penalties and interest on taxes.....	721,105	265,747	335,008	279,901	314,296	410,491	303,184	286,866	409,888	416,902
Grants and contributions not restricted to specific programs.....	1,845,728	1,704,378	1,857,933	2,016,691	2,558,873	2,558,964	2,502,913	2,083,892	2,070,906	2,005,649
Unrestricted investment income.....	368,581	369,542	493,590	955,407	1,603,144	1,434,652	1,005,941	550,684	315,873	273,240
Miscellaneous.....	267,683	400,871	75,167	53,440	344,265	328,707	144,381	-	217,576	249,261
Transfers.....	1,189,862	1,125,049	1,478,552	2,060,104	2,159,670	1,727,948	1,993,961	-	1,728,309	1,639,574
Total governmental activities.....	85,151,099	87,200,196	90,011,200	96,410,926	102,364,721	105,493,264	108,132,650	109,315,576	115,179,458	118,875,285

(continued)

**Changes in Net Assets**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Unrestricted investment income.....	99,828	54,871	45,977	156,912	161,991	66,210	29,468	14,785	9,521	8,825
Transfers.....	(1,189,862)	(1,125,049)	(1,478,552)	(2,060,104)	(2,159,670)	(1,727,948)	(1,993,961)	-	(1,728,309)	(1,639,574)
Total business-type activities.....	<u>(1,090,034)</u>	<u>(1,070,178)</u>	<u>(1,432,575)</u>	<u>(1,903,192)</u>	<u>(1,997,679)</u>	<u>(1,661,738)</u>	<u>(1,964,493)</u>	<u>14,785</u>	<u>(1,718,788)</u>	<u>(1,630,749)</u>
Total primary government general revenues and other changes in net assets.....	<u>\$ 84,061,065</u>	<u>\$ 86,130,018</u>	<u>\$ 88,578,625</u>	<u>\$ 94,507,734</u>	<u>\$ 100,367,042</u>	<u>\$ 103,831,526</u>	<u>\$ 106,168,157</u>	<u>\$ 109,330,361</u>	<u>\$ 113,460,670</u>	<u>\$ 117,244,536</u>
<b>Changes in Net Assets</b>										
Governmental activities.....	\$ (2,057,998)	\$ 16,629,499	\$ (223,191)	\$ 312,645	\$ 515,700	\$ (8,883,009)	\$ (16,075,345)	\$ (11,772,385)	\$ (8,043,955)	\$ (2,541,006)
Business-type activities.....	<u>3,846,939</u>	<u>663,946</u>	<u>2,375,961</u>	<u>696,678</u>	<u>231,761</u>	<u>(821,886)</u>	<u>8,632,033</u>	<u>356,354</u>	<u>(723,446)</u>	<u>(1,036,727)</u>
Total primary government changes in net assets.....	<u>\$ 1,788,941</u>	<u>\$ 17,293,445</u>	<u>\$ 2,152,770</u>	<u>\$ 1,009,323</u>	<u>\$ 747,461</u>	<u>\$ (9,704,895)</u>	<u>\$ (7,443,312)</u>	<u>\$ (11,416,031)</u>	<u>\$ (8,767,401)</u>	<u>\$ (3,577,733)</u>

\* In fiscal 2012, the Town consolidated its information technology department's within the general government functional line-item.

(concluded)

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved.....	\$ 2,914,009	\$ 2,278,232	\$ 1,436,861	\$ 1,860,571	\$ 2,694,727	\$ 1,370,990	\$ 491,022	\$ 1,208,156	\$ -	\$ -
Unreserved.....	10,891,580	8,500,140	7,747,231	7,529,898	4,549,236	3,691,825	3,015,527	3,250,042	-	-
Committed.....	-	-	-	-	-	-	-	-	13,999	13,999
Assigned.....	-	-	-	-	-	-	-	-	817,053	2,197,122
Unassigned.....	-	-	-	-	-	-	-	-	8,106,788	10,772,493
<b>Total general fund.....</b>	<b>\$ 13,805,589</b>	<b>\$ 10,778,372</b>	<b>\$ 9,184,092</b>	<b>\$ 9,390,469</b>	<b>\$ 7,243,963</b>	<b>\$ 5,062,815</b>	<b>\$ 3,506,549</b>	<b>\$ 4,458,198</b>	<b>\$ 8,937,840</b>	<b>\$ 12,983,614</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 700,821	\$ 692,942	\$ 1,246,997	\$ 1,268,238	\$ 1,261,498	\$ 1,267,370	\$ 1,265,156	\$ 1,274,207	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	4,519,551	5,415,564	5,864,877	6,171,737	9,068,114	9,627,901	9,586,198	10,747,094	-	-
Capital projects funds.....	5,978,934	3,636,212	3,519,167	1,747,126	1,933,994	1,323,779	(996,668)	226,609	-	-
Permanent funds.....	463,273	413,250	210,462	363,604	434,628	440,998	423,353	497,686	-	-
Nonspendable.....	-	-	-	-	-	-	-	-	1,259,811	1,274,750
Restricted.....	-	-	-	-	-	-	-	-	8,296,921	13,319,927
Unassigned.....	-	-	-	-	-	-	-	-	-	(2,174,741)
<b>Total all other governmental funds.....</b>	<b>\$ 11,662,579</b>	<b>\$ 10,157,968</b>	<b>\$ 10,841,503</b>	<b>\$ 9,550,705</b>	<b>\$ 12,698,234</b>	<b>\$ 12,660,048</b>	<b>\$ 10,278,039</b>	<b>\$ 12,745,596</b>	<b>\$ 9,556,732</b>	<b>\$ 12,419,936</b>

The Town implemented GASB 54 in fiscal year 2011, fund balances prior to fiscal year 2011 have been reported in the pre-GASB 54 format.

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 74,726,196	\$ 77,761,654	\$ 80,108,798	\$ 85,233,515	\$ 89,296,522	\$ 93,215,670	\$ 96,792,126	\$ 100,472,493	\$ 103,357,190	\$ 107,820,244
Motor vehicle and other excise taxes.....	5,429,993	5,074,722	5,430,809	5,714,365	4,563,040	5,719,957	5,379,998	5,435,155	5,877,675	5,824,833
Intergovernmental.....	19,337,587	19,645,202	36,257,799	26,111,912	25,535,077	27,409,880	29,885,449	29,755,486	30,178,437	33,649,963
Departmental and other.....	9,156,513	9,358,532	11,228,315	10,075,153	12,333,309	12,437,475	11,448,429	12,460,238	13,073,732	14,524,170
Interest income.....	403,057	466,366	437,745	931,895	1,660,138	1,501,807	1,048,718	660,607	350,374	306,101
<b>Total Revenue.....</b>	<b>109,053,346</b>	<b>112,306,476</b>	<b>133,463,466</b>	<b>128,066,840</b>	<b>133,388,086</b>	<b>140,284,789</b>	<b>144,554,720</b>	<b>148,783,979</b>	<b>152,837,408</b>	<b>162,125,311</b>
<b>Expenditures:</b>										
General government.....	4,454,394	4,909,348	4,730,422	4,769,168	5,220,512	5,359,619	5,511,347	5,620,278	5,467,389	7,078,229 *
Plant and facilities.....	5,608,033	5,869,539	4,608,092	4,222,181	4,431,588	4,417,766	4,417,257	4,323,782	4,558,237	5,029,583
Public safety.....	13,128,148	13,515,766	13,597,144	13,682,564	13,571,517	16,457,065	16,121,617	15,013,636	15,740,379	15,373,742
Education.....	51,048,622	51,455,597	54,347,628	58,172,138	62,124,609	65,822,095	69,204,520	69,878,266	72,239,103	71,201,775
Public works.....	6,280,433	6,966,509	6,856,259	4,812,153	6,582,339	6,974,691	7,392,938	6,202,273	6,868,235	6,711,114
Community services.....	2,261,837	2,305,595	2,186,935	2,258,001	2,525,592	2,659,098	2,714,309	2,726,573	2,767,944	2,874,439
Library.....	2,328,796	2,553,941	2,431,694	2,547,324	2,674,266	2,697,413	2,729,703	2,659,866	2,656,682	2,547,398
Pension benefits.....	8,854,044	9,537,132	10,594,568	11,774,280	12,896,971	13,818,706	14,999,567	15,577,594	16,231,461	17,504,035
Property and liability insurance.....	504,963	795,879	834,889	744,326	762,947	657,483	562,014	485,701	734,996	827,013
Employee benefits.....	6,139,400	7,625,000	8,732,646	9,901,817	10,521,298	11,451,717	12,023,030	13,438,023	15,177,469	15,134,416
Claims and judgments.....	-	-	-	-	-	-	264,966	-	-	-
State and county charges.....	1,363,260	1,370,609	1,599,527	1,982,311	2,514,120	2,852,501	2,871,728	3,072,718	2,860,658	2,433,163
Capital outlay.....	9,373,665	6,059,724	5,275,759	6,707,917	5,210,089	7,856,215	7,547,507	5,717,723	7,213,849	7,729,883
Debt service:										
Principal.....	5,188,000	5,728,420	20,744,107	9,436,934	5,833,841	6,035,287	6,306,423	6,465,718	5,865,696	6,194,000
Interest.....	3,346,096	2,987,294	2,957,220	2,408,251	2,920,044	2,472,415	2,015,030	1,435,531	1,642,841	1,847,422
<b>Total Expenditures.....</b>	<b>119,879,691</b>	<b>121,680,353</b>	<b>139,496,890</b>	<b>133,419,365</b>	<b>137,789,733</b>	<b>149,532,071</b>	<b>154,681,956</b>	<b>152,617,682</b>	<b>160,024,939</b>	<b>162,486,212</b>
Excess of revenues over (under) expenditures.....	(10,826,345)	(9,373,877)	(6,033,424)	(5,352,525)	(4,401,647)	(9,247,282)	(10,127,236)	(3,833,703)	(7,187,531)	(360,901)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	28,938,000	3,717,000	3,500,000	2,208,000	3,243,000	5,300,000	4,195,000	5,566,000	6,750,000	5,366,000
Issuance of refunding bonds.....	13,496,223	-	7,140,205	-	-	-	-	7,936,000	-	4,564,700
Premium from issuance of bonds.....	599,313	-	79,123	-	-	-	-	-	-	239,602
Premium from issuance of refunding bonds.....	220,554	-	158,596	-	-	-	-	892,842	-	446,698
Payments to refunded bond escrow agent.....	(13,583,218)	-	(7,233,797)	-	-	-	-	(8,951,608)	-	(4,986,695)
Transfers in.....	3,588,523	2,011,841	4,131,313	6,794,187	6,779,004	5,465,620	4,963,045	3,737,067	3,711,992	3,242,238
Transfers out.....	(2,398,661)	(886,792)	(2,652,761)	(4,734,083)	(4,619,334)	(3,737,672)	(2,969,084)	(1,927,392)	(1,983,683)	(1,602,664)
<b>Total other financing sources (uses).....</b>	<b>30,860,734</b>	<b>4,842,049</b>	<b>5,122,679</b>	<b>4,268,104</b>	<b>5,402,670</b>	<b>7,027,948</b>	<b>6,188,961</b>	<b>7,252,909</b>	<b>8,478,309</b>	<b>7,269,879</b>
<b>Net change in fund balance.....</b>	<b>\$ 20,034,389</b>	<b>\$ (4,531,828)</b>	<b>\$ (910,745)</b>	<b>\$ (1,084,421)</b>	<b>\$ 1,001,023</b>	<b>\$ (2,219,334)</b>	<b>\$ (3,938,275)</b>	<b>3,419,206</b>	<b>\$ 1,290,778</b>	<b>\$ 6,908,978</b>
Debt service as a percentage of noncapital expenditures.....	7.72%	7.54%	7.27% (a)	6.46% (a)	6.52%	6.01%	5.68%	5.38%	4.94%	5.28%

Notes:

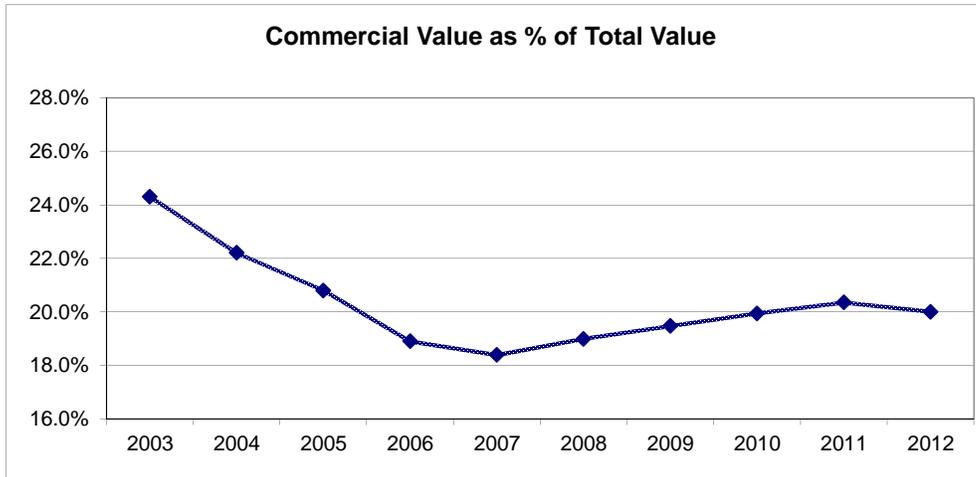
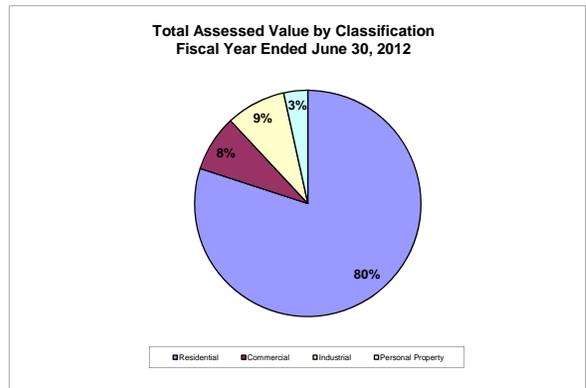
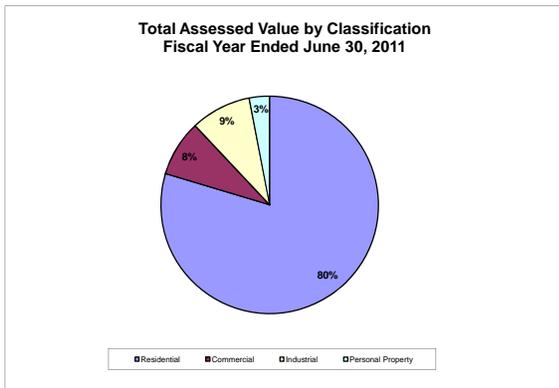
(a) - The FY05 and FY06 %'s have been adjusted to eliminate the effect of state school construction capital grants totaling \$15 million and \$3.8 million, respectively to pay down \$18.8 million in debt for both years.

\* In fiscal 2012, the Town consolidated its information technology department's within the general government functional line-item.

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

**Last Ten Fiscal Years**

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



(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**

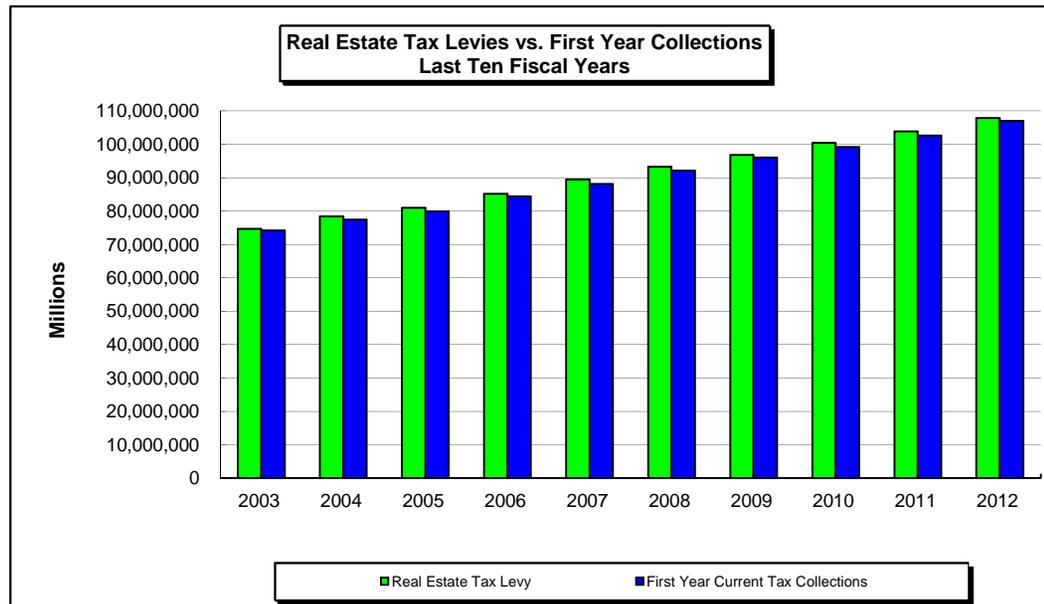
Name	Property Type	2012			2003		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Wyeth Genetics	Industrial	\$ 79,845,400	1	1.17%	\$ 116,547,200	1	1.97%
Eisai Research Institute	Commercial/Industrial	\$ 73,148,030	2	1.08%	\$ -	-	-
Transwestern Brickstone Square LLC (Andover Mills)	Commercial	\$ 73,062,530	3	1.07%	\$ 110,472,300	2	1.87%
Raytheon	Industrial/Residential	\$ 61,299,850	4	0.90%	\$ 73,823,300	3	1.25%
Philips Electro No American Corp	Industrial	\$ 50,648,500	5	0.74%	\$ 62,718,500	4	1.06%
RREEF America REIT Corp	Commercial/Utility	\$ 47,015,300	6	0.69%	\$ -	-	-
Verizon New England	Commercial/Utility	\$ 44,862,900	7	0.66%	\$ -	-	-
One Hundred Minuteman LLC	Industrial	\$ 39,907,600	8	0.59%	\$ -	-	0.00%
Proctor + Gamble (Gillette)	Industrial	\$ 36,761,300	9	0.54%	\$ 35,809,800	8	0.61%
CA Investment Trust	Residential/Commercial	\$ 43,531,160	10	0.64%	\$ 36,644,400	9	0.62%
Hewlett Packard Company	Industrial	\$ -	-	-	\$ -	-	-
Interstate/CGL Partners	Commercial	\$ -	-	-	\$ -	-	-
New England Telephone and Telegraph	Utility	\$ -	-	-	\$ -	-	0.00%
BCIA New England Holdings LLC	Office/Industrial	\$ -	-	-	\$ 53,593,300	5	0.91%
Andover Park Realty Trust	Industrial	\$ -	-	-	\$ 2,333,800	6	0.04%
Massachusetts Electric	Industrial Utility	\$ -	-	-	\$ 39,228,300	10	0.66%
Lincoln Park LLC (Putnam Investments)	Commercial	\$ -	-	-	\$ 37,975,600	7	0.64%
	<b>Totals</b>	<u>\$550,082,570</u>		<u>8.09%</u>	<u>\$569,146,500</u>		<u>9.62%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

Fiscal 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	Percent of Total Tax Collections to Net Tax Levy
2003	(1)	\$ 75,831,100	\$ 1,148,137	\$ 74,682,963	\$ 74,224,742	99.39%	\$ 359,678	\$ 74,584,420	99.87%
2004		\$ 79,164,340	\$ 770,110	\$ 78,394,230	\$ 77,461,156	98.81%	\$ 208,870	\$ 77,670,026	99.08%
2005		\$ 81,667,810	\$ 700,105	\$ 80,967,705	\$ 79,932,648	98.72%	\$ 767,568	\$ 80,700,216	99.67%
2006	(1)	\$ 86,009,003	\$ 854,113	\$ 85,154,890	\$ 84,431,577	99.15%	\$ 809,483	\$ 85,241,060	100.10%
2007		\$ 90,261,283	\$ 754,410	\$ 89,506,873	\$ 88,153,719	98.49%	\$ 1,396,877	\$ 89,550,596	100.05%
2008		\$ 94,077,719	\$ 832,176	\$ 93,245,543	\$ 92,107,899	98.78%	\$ 1,018,657	\$ 93,126,556	99.87%
2009	(1)	\$ 97,976,754	\$ 1,127,947	\$ 96,848,807	\$ 96,086,383	99.21%	\$ 821,744	\$ 96,908,127	100.06%
2010		\$ 101,290,116	\$ 822,806	\$ 100,467,310	\$ 99,241,767	98.78%	\$ 492,075	\$ 99,733,842	99.27%
2011		\$ 104,658,300	\$ 772,521	\$ 103,885,779	\$ 102,625,682	98.79%	\$ 763,719	\$ 103,389,401	99.52%
2012	(1)	\$ 108,874,156	\$ 980,114	\$ 107,894,042	\$ 107,067,732	99.23%	\$ -	\$ 107,067,732	99.23%



(1) Revaluation year.

(2) Includes tax liens.

Source: Assessor's Department, Town of Andover

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

**Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	29,994	\$ 1,309,258,156	\$ 5,913,651,684	\$ 83,483,223	\$ -	\$ 2,783	6.38%	1.41%
2004	29,843	\$ 1,328,720,243	\$ 6,113,567,902	\$ 81,471,803	\$ -	\$ 2,730	6.13%	1.33%
2005	30,820	\$ 1,399,664,278	\$ 6,350,543,459	\$ 64,311,901	\$ -	\$ 2,087	4.59%	1.01%
2006	33,475	\$ 1,550,643,639	\$ 6,805,544,272	\$ 57,082,966	\$ -	\$ 1,705	3.68%	0.84%
2007	33,284	\$ 1,572,631,974	\$ 7,191,035,284	\$ 54,512,123	\$ -	\$ 1,638	3.47%	0.76%
2008	33,418	\$ 1,610,542,591	\$ 7,179,753,075	\$ 53,776,836	\$ -	\$ 1,609	3.34%	0.75%
2009	33,700	\$ 1,656,615,926	\$ 7,160,470,363	\$ 51,665,413	\$ -	\$ 1,533	3.12%	0.72%
2010	33,700	\$ 1,689,748,245	\$ 6,837,657,244	\$ 50,341,695	\$ -	\$ 1,494	2.98%	0.74%
2011	33,201	\$ 1,698,022,496	\$ 6,616,551,562	\$ 51,225,999	\$ -	\$ 1,543	3.02%	0.77%
2012	33,201	\$ 1,731,982,946	\$ 6,798,505,246	\$ 50,237,699	\$ -	\$ 1,513	2.90%	0.74%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	\$ 23,514,777	\$ -	\$ 106,998,000	\$ 3,567	8.17%	1.81%
2004	\$ 30,141,198	\$ -	\$ 111,613,001	\$ 3,740	8.40%	1.83%
2005	\$ 29,851,101	\$ -	\$ 94,163,002	\$ 3,055	6.73%	1.48%
2006	\$ 27,072,035	\$ -	\$ 84,155,001	\$ 2,514	5.43%	1.24%
2007	\$ 34,974,512	\$ -	\$ 89,486,635	\$ 2,689	5.69%	1.24%
2008	\$ 41,495,469	\$ -	\$ 95,272,305	\$ 2,851	5.92%	1.33%
2009	\$ 40,949,009	\$ -	\$ 92,614,422	\$ 2,748	5.59%	1.29%
2010	\$ 37,567,707	\$ -	\$ 87,909,402	\$ 2,609	5.20%	1.29%
2011	\$ 35,602,018	\$ -	\$ 86,828,017	\$ 2,615	5.11%	1.31%
2012	\$ 33,731,282	\$ -	\$ 83,968,981	\$ 2,529	4.85%	1.24%

(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, 2012**

<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... \$	27,360,000	0.8%	\$ 444,503
Greater Lawrence Sanitary District.....	23,672,417	7.1%	1,788,240
Merrimack Valley Transit Authority.....			<u>152,939</u>
Subtotal, overlapping debt.....			<u>2,385,682</u>
Town direct debt.....			<u>50,237,699</u>
Total direct and overlapping debt.....			<u>\$ 52,623,381</u>

Methodologies used to calculate overlapping debt:

Greater Lawrence Regional Vocational Technical School District:

    The Town's overlap is based on pupil enrollment.

Greater Lawrence Sanitary District:

    The Town's overlap is based on the percent of wastewater received by the District.

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 Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized Valuation.....	\$ 5,589,664,700	\$ 6,525,840,900	\$ 6,525,840,900	\$ 7,353,584,000	\$ 7,353,584,000	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,405,664,700	\$ 7,292,906,600
Debt Limit -5% of Equalized Valuation.....	\$ 279,483,235	\$ 326,292,045	\$ 326,292,045	\$ 367,679,200	\$ 367,679,200	\$ 387,862,300	\$ 387,862,300	\$ 387,862,300	\$ 370,283,235	\$ 364,645,330
Less:										
Outstanding debt applicable to limit.....	61,490,224	59,689,018	59,455,259	59,278,195	61,905,809	67,551,997	67,875,220	66,300,155	67,504,073	65,805,248
Authorized and unissued debt.....	59,612,052	48,127,052	38,994,500	32,853,500	28,691,865	31,184,865	26,227,148	26,655,148	66,704,000	71,307,000
Legal debt margin.....	\$ 158,380,959	\$ 218,475,975	\$ 227,842,286	\$ 275,547,505	\$ 277,081,526	\$ 289,125,438	\$ 293,759,932	\$ 294,906,997	\$ 236,075,162	\$ 227,533,082
Total debt applicable to the limit as a percentage of debt limit.....	43.33%	33.04%	30.17%	25.06%	24.64%	25.46%	24.26%	23.97%	36.24%	37.60%

Source: Official Statement for Sale of Bonds

**Demographic and Economic Statistics**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
2003	29,994	\$ 1,309,258,156	\$ 43,651	39.5	5.2%
2004	29,843	\$ 1,328,720,243	\$ 44,524	39.5	4.5%
2005	30,820	\$ 1,399,664,278	\$ 45,414	39.5	4.0%
2006	33,475	\$ 1,550,643,639	\$ 46,322	39.5	4.1%
2007	33,284	\$ 1,572,631,974	\$ 47,249	39.5	4.1%
2008	33,418	\$ 1,610,542,591	\$ 48,194	39.5	4.0%
2009	33,700	\$ 1,656,615,926	\$ 49,158	39.5	6.7%
2010	33,700	\$ 1,689,748,245	\$ 50,141	39.5	6.9%
2011	33,201	\$ 1,698,022,496	\$ 51,144	39.5	6.2%
2012	33,201	\$ 1,731,982,946	\$ 52,167	39.5	4.7%

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	2012			2003		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	4,854	1	16%	3,300	1	10%
Philips Medical	Medical Electronics	2,800	2	9%	2,920	3	9%
Pfizer	Biotechnology Research & Manufacturing	1,385	3	5%	1,900	4	6%
Philip Academy	Private School	1,152	4	4%	1,186	7	4%
Internal Revenue Services	Regional Service Center	1,034	5	3%	2,340	2	7%
Putnam Investments	Mutual Funds	1,020	6	3%	1,800	5	6%
Verizon	Communications	790	7	3%	905	8	3%
Vicor	Computer Equipment	780	8	3%	1,650	6	5%
Enterasys	Data Processing Services	500	9	2%	-	-	-
WSI	Data Processing Services	500	10	2%	-	-	-
Smith & Nephew	Home Supplies	-	-	-	550	9	2%
Proctor & Gamble (Gillette)	Beauty Care Products	-	-	-	580	10	2%

Source: Massachusetts Department of Workforce Development

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

**Full-Time Equivalent Town Employees**

**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Full-Time Equivalents</u>										
Town.....	367	355	355	355	356	356	346	347	344	344
School.....	744	698	758	761	780	784	794	768	772	762
Total .....	<u>1,111</u>	<u>1,053</u>	<u>1,113</u>	<u>1,116</u>	<u>1,136</u>	<u>1,140</u>	<u>1,140</u>	<u>1,115</u>	<u>1,116</u>	<u>1,106</u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>General Government</b>										
Population.....	30,695	29,994	29,843	30,820	33,475	33,284	33,418	33,700	33,700	33,201
Registered Voters, Annual Town Election.....	19,237	18,725	20,220	19,380	19,656	19,560	12,392	20,505	20,705	20,705
<b>Town Clerk</b>										
Births.....	345	283	269	272	258	321	249	257	220	220
Marriages.....	163	106	169	133	114	114	113	116	122	122
Deaths.....	296	244	247	260	290	279	290	274	233	233
Dogs licensed.....	2,260	2,292	2,272	2,230	2,400	2,365	2,493	2,580	2,469	2,469
Fishing & Hunting Licenses .....	416	375	296	265	266	300	300	248	244	244
Business Certificates.....	130	167	177	123	107	125	99	95	70	70
New Voter Registrations.....	1,603	1,044	2,611	931	1,501	1,320	1,735	927	1,296	1,296
Passport Applications.....	1,361	1,163	1,200	797	825	868	541	613	531	531
<b>Public Safety</b>										
<b>Police</b>										
Documented calls for police services.....	32,050	31,245	32,245	32,209	31,827	34,542	35,153	24,876	34,495	34,495
Arrests.....	450	450	400	578	622	635	694	536	496	496
Domestic Abuse.....	25	35	26	40	42	41	28	51	45	45
Vandalism.....	255	215	214	185	217	152	150	154	130	130
Larceny.....	425	380	345	458	353	343	487	381	257	257
Assaults.....	67	53	33	55	55	41	22	36	40	40
Breaking & Entering.....	51	65	47	69	60	61	61	75	73	73
Motor Vehicle accidents.....	1,307	1,177	1,087	1,007	971	1,057	899	903	924	924
Parking tickets issued.....	11,125	12,000	13,900	5,484	5,766	11,249	8,328	6,433	5,187	5,187
Total number of animal complaints.....	941	822	780	669	769	748	708	732	713	713
<b>Fire</b>										
<b>Incidents</b>										
Fires.....	637	1,098	1,028	1,279	1,159	979	1,077	1,070	923	923
EMS Calls.....	2,571	3,094	2,514	2,632	2,743	2,793	2,853	2,895	2,696	2,696
Motor Vehicle Accidents.....	156	284	253	265	279	301	241	263	255	255
Hazardous Conditions.....	96	130	109	227	258	253	246	308	280	280
False Alarms & False Calls.....	490	747	744	814	796	678	815	816	752	752
Miscellaneous Alarms.....	450	529	303	192	25	-	-	-	-	-
Good Intent Calls.....	171	140	117	141	130	117	133	150	126	126
Mutual Aid (Fire Calls).....	14	17	21	21	26	22	19	26	29	29
Ambulance Mutual Aid Calls.....	40	57	50	48	41	45	27	25	51	51

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Fire Prevention Activities.....	2,030	2,204	2,135	1,730	1,658	1,158	1,299	1,202	939	939
Service Calls.....	2,597	2,460	2,231	2,421	2,159	2,366	2,222	2,090	408	408
Training.....	126	138	232	225	265	230	218	186	137	137
Co-Activation.....	36	34	25	57	77	77	132	131	141	141
Permits/certificates issued										
Smoke Detectors.....	679	814	840	1,038	718	558	442	446	450	450
Report Copies.....	64	66	82	57	62	58	64	71	60	60
Blasting Permits.....	76	51	68	44	9	4	1	0	2	2
Cutting/Welding Permits.....	21	22	24	24	18	-	33	20	31	31
Dumpster Permits.....	100	127	143	104	169	166	148	179	180	180
Fireworks Display Permits.....	1	2	1	1	2	1	2	2	1	1
Gunpowder Storage Permits.....	-	1	3	-	-	1	-	-	-	-
Liquid Gas Storage Permits.....	71	86	53	95	74	93	60	56	76	76
Flammable Liquid Storage Permits.....	6	6	2	9	34	15	109	27	47	47
Miscellaneous Permits.....	3	4	2	10	17	30	4	25	-	-
Open Air Burning Permits.....	234	513	487	437	517	435	326	489	519	519
Oil Burner Install Permits.....	104	108	138	110	127	131	148	117	147	147
Commercial Fire Alarm Systems.....	35	63	78	80	56	53	51	53	68	68
Special Suppression System Permits.....	10	7	2	9	10	8	12	-	2	2
Sprinkler Install Permits.....	45	64	52	69	66	59	63	47	72	72
Underground Tank Re-certification.....	10	9	11	10	8	3	16	4	18	18
Underground Tank Removals.....	49	45	53	41	49	56	93	54	58	58
Master Fire Alarm Boxes.....	156	150	8	20	20	-	-	-	-	-
Building Department										
Permits issued.....	1,114	1,334	1,483	1,284	1,487	1,270	1,288	1,191	1,345	1,345
Education										
Public school enrollment.....	5,963	5,925	6,000	6,026	6,018	5,939	6,127	6,171	6,121	6,121
Public Works										
Cemetery										
Lots sold.....	62	76	53	111	49	48	35	61	33	33
Interments/cremations.....	62	46	57	75	79	71	49	70	75	75

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Human Services</b>										
<b>Board of Health</b>										
Plan reviews.....	175	210	206	222	180	248	291	243	269	269
<b>Inspections</b>										
Restaurant .....	85	110	93	153	197	328	339	453	278	278
Environmental/Sanitary Code.....	210	167	185	194	240	386	388	346	322	322
Complaints investigated.....	224	250	309	277	202	N/A	-	114	138	138
Administrative Hearings.....	3	6	14	10	6	9	6	2	4	4
Court Actions.....	1	5	12	12	3	-	-	-	-	-
<b>Council on Aging</b>										
Home delivered meals served.....	25,000	25,000	26,000	26,520	28,776	30,521	25,479	17,794	25,589	25,589
Medical-van trips.....	1,350	1,875	1,750	1,785	1,785	-	-	1,082	1,399	1,399
<b>Libraries</b>										
Program attendance.....	14,941	13,798	8,000	8,131	16,110	14,356	5,855	16,429	16,664	16,664
Books & Periodicals.....	355,000	350,000	345,000	332,661	336,224	333,842	360,845	374,152	364,795	364,795
PC & Internet Use.....	45,000	52,500	52,500	50,757	54,454	52,508	62,828	67,362	76,124	76,124
Reference Questions.....	54,900	54,900	56,000	59,618	61,919	62,426	70,000	75,277	67,195	67,195
Non-Print Circulation.....	175,000	190,000	175,000	162,280	161,887	157,731	129,267	156,273	144,489	144,489
<b>Sewer</b>										
Service connections.....	5,680	5,850	5,850	5,850	5,850	6,100	6,100	6,200	6,200	6,200
<b>Water</b>										
Daily consumption (in million gallons).....	6.540	5.940	6.030	6.720	6.200	7.100	7.300	6.200	6.900	6.900

Source: Various Town Departments

N/A: Information not available

(concluded)

**Capital Asset Statistics by Function/Program**

**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General Government</b>										
Number of Buildings.....	16	16	16	16	16	16	16	16	16	16
<b>Police</b>										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
<b>Education</b>										
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
<b>Public Works</b>										
Water mains (miles).....	235	235	235	235	235	235	235	235	235	235
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Sanitary sewers (miles).....	N/A	N/A	146	146	146	146	146	146	146	146
Storm sewers (miles).....	80	80	80	80	80	80	80	80	80	80
<b>Culture and Recreation</b>										
Playgrounds.....	14	14	14	14	14	14	14	14	14	14
Parks.....	4	4	4	4	4	4	4	4	4	4
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage.....	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	31	31	31	31	31	31	31	31	31	31
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various Town Departments

N/A: Information not available

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

**Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Levy Limit.....	\$ 75,831,251	\$ 79,165,092	\$ 82,285,046	\$ 86,010,409	\$ 87,189,479	\$ 94,111,774	\$ 97,209,952	\$ 101,350,979	\$ 104,729,225	\$ 109,075,475
Previous Levy.....	\$ 68,287,439	\$ 72,287,345	\$ 75,252,414	\$ 78,949,600	\$ 82,958,866	\$ 87,189,479	\$ 91,201,846	\$ 94,838,978	\$ 98,313,488	\$ 101,868,863
Legal Increase.....	1,707,186	1,807,184	1,881,310	1,973,740	2,073,972	2,179,737	2,280,046	2,370,974	2,457,837	2,546,722
New Growth.....	2,292,720	1,157,885	1,815,876	2,035,526	2,156,641	1,832,630	1,357,086	1,103,536	1,097,538	1,712,432
Debt Exclusion.....	3,543,906	3,912,678	3,335,446	3,051,543	3,110,790	2,909,928	3,173,848	3,037,491	2,860,362	2,947,458
Maximum Taxing Capacity.....	<u>\$ 75,831,251</u>	<u>\$ 79,165,092</u>	<u>\$ 82,285,046</u>	<u>\$ 86,010,409</u>	<u>\$ 90,300,269</u>	<u>\$ 94,111,774</u>	<u>\$ 98,012,826</u>	<u>\$ 101,350,979</u>	<u>\$ 104,729,225</u>	<u>\$ 109,075,475</u>
Actual Levy.....	\$ 75,831,100	\$ 79,164,340	\$ 81,667,810	\$ 86,009,003	\$ 90,261,283	\$ 94,077,719	\$ 97,976,754	\$ 101,290,116	\$ 104,658,300	\$ 108,874,156
Unused Levy Capacity.....	\$ 151	\$ 752	\$ 617,236	\$ 1,406	\$ 38,986	\$ 34,055	\$ 36,072	\$ 60,863	\$ 70,925	\$ 201,319

Source: Assessor's Department, Town of Andover



File Photo