

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



**Andover Center Playground**

**For the Year Ended June 30, 2018**

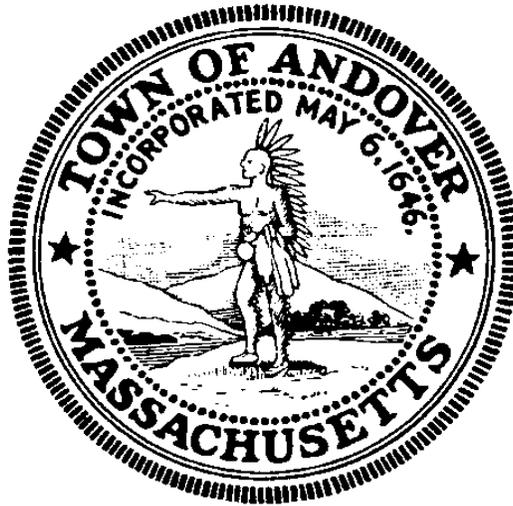


The Mill at 204 Andover Street

# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended  
June 30, 2018



Prepared by:

Hayley Green, Town Accountant/ Assistant Finance Director

TOWN OF ANDOVER, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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# *Introductory Section*



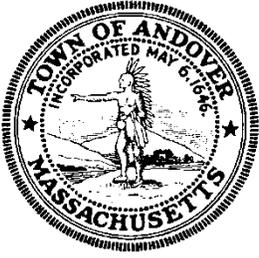
**Andover Memorial Building**



**Ballardvale Green**

# ***Introductory Section***

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# *Town of Andover*

36 Bartlet Street  
Andover, Massachusetts 01810  
(978) 623-8211  
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## **Letter of Transmittal**

February 7, 2019

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

At the close of each year state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the year ending June 30, 2018 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the Government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2018, are fairly presented in conformity with GAAP.

The Town of Andover's financial statements have been audited by Powers & Sullivan, LLC a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover, for the year ended June 30, 2018, are free of material misstatement. An Audit Committee assists the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Andover's financial statements for the year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Andover was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards

governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Andover's separately issued Reports on Federal Award Programs.

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

## **A Year of Change**

2018 has continued to be a positive year for the Town of Andover. In April of 2018, the Town passed Special Legislation and entered into a ninety-nine year agreement to provide the Town of North Reading with 100% of its potable water. The agreement will yield over \$1,000,000 of new revenue for the Town over its term and will subsidize the Water Enterprise Fund's operating and capital budgets by approximately 33%. This will allow the Town to accelerate the replacement of water mains, reducing the replacement schedule from 60 years to 30 years.

## **Profile of the Town**

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

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

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

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

Andover is known for its forward thinking government, committed to quality, responsiveness, and service. The Town's governing Charter was enacted by the Legislature in 1956, amended in 1974 and again in 2004. The Charter authorizes an Open Town Meeting-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 is committed to a high degree of community responsiveness, providing high quality services to its citizens, and conducting all its affairs in a professional manner.

### **Factors Affecting Economic Condition**

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

**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 largest commercial/industrial employers are Raytheon, Internal Revenue Service, Philips Medical, Pfizer, Putman Investments, Vicor, Phillips Academy, Schneider Electric and Hewlett Packard. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$7.8 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

The development climate in Andover continues to reflect positive trends and activities. The Lupoli Companies commenced construction of the Andover Medical Center Phase II. The center will be home to a Massachusetts General Hospital Facility. The 64,000 square foot facility had been vacant for nearly 10 years. Pfizer will soon open a 178,000 square foot addition to its main campus. The addition is part of a long-term campus wide master plan that will bring the site to 982,000 square feet. The building will provide for five Good Manufacturing Practices (GMF) production suites used for drug development through Phase 2 trials. Presently under construction are 248 luxury apartment units known as the Lodge at Andover. The project will provide for a suite of housing options from one to three bedrooms. The first units will be available for occupancy in the fall of 2018.

The Town is also planning for its senior population with the addition of three senior housing developments. The Bridges at Andover, a 63 unit congregate care facility focusing on memory care, recently opened. Construction of a 96 unit assisted living facility is also underway. In addition, Riverside Woods, a 200 unit independent living residence is currently under construction with the first residents moving in in January 2018.

As for educational/non-profits, Philips Academy opened their new 101,500 square foot field house known as the Snyder Center. Currently under construction are three academic buildings totaling 79,950 square feet at Merrimack College.

In the downtown area, major renovations are underway at 27-45 Main Street. The improvements encompass approximately 40,000 square feet and will include façade enhancements and reimagined ground floor retail spaces.

Construction of a new Municipal Services Facility at 5 Campanelli Dr. is nearing completion. The relocation of the current Municipal Services Facility out of the downtown area will allow for targeted economic growth and expansion of the downtown consistent with the newly adopted Historic Mill District. This zoning overlay district is intended to promote the redevelopment of a large area of approximately 100 acres between Main Street, Dundee Park, the Shawsheen River and the Whole Foods Grocery Store. The new district will help facilitate a highly controlled process that is in keeping with the character of the central business district while promoting opportunities for new retail, office and housing, expand the existing tax base, bolster property values and expand the downtown to the regional transit station.

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

Given the number of years of reduced/or level state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$111.3 million worth of long and short-term debt. This indebtedness consists of approximately \$81.5 million of general government debt and \$29.8 million of enterprise fund debt which is self-supporting through enterprise fund revenues.

The Town has authorized but unissued debt for school construction, land acquisition, landfill closure, water and sewer infrastructure and other various projects totaling \$55.6 million as of June 30, 2018.

The Town’s Bond Premium Stabilization Fund totals \$1.2 million at June 30, 2018. The fund is used, by a vote of Town Meeting, to supplement interest payments on non-exempt long-term bonds to ensure that the taxpayers only pay the true interest cost. The Town’s General Stabilization fund totals \$6.2 million as of June 30, 2018.

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

**Cash management policies and practices:** The Town issues property tax bills quarterly and derives approximately 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. The Town’s investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

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

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

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

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

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

**Pension and other postemployment benefits:** The Town contributes to the Andover Contributory Retirement System (the System), a cost sharing defined benefit pension plan administered by the Andover Contributory Retirement Board. Every two years, an independent actuary engaged by the Andover Contributory Retirement Board calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. Management implemented both a policy and methodology for determining a discount rate that reflects past and projected future performance. The liability included in the financial statements, and consistent with GASB 68, is based on a discount rate of 6.25%. The system has succeeded in funding 46.87% of the present value of the projected benefits earned by employees based on the most recent updated actuarial valuation dated January 1, 2018.

The Town also provides postretirement health care and life insurance benefits for Town and School retirees and their dependents. The Town established an Other Post Employment Benefit Trust Fund (OPEB) at the April 2010 Annual Town Meeting and has continued to make deposits. Town Meeting appropriated \$1.6 million to the OPEB Trust Fund in 2018 bringing the balance in the fund to \$10.0 million.

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

In June 2015, GASB issued two final Statements detailing how state and local governments should account for and report postemployment benefits other than pensions, Statements 74 and 75. The requirements set forth in these two statements will change how governments calculate and report the annual costs and long-term obligations associated with OPEB. The provisions of GASB Statement 74 were implemented in fiscal year 2017 and the provisions of Statement 75 have been implemented in fiscal year 2018.

**Annual budget process and control:** 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 year ended June 30, 2017. This was the fourteenth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA's Distinguished Budget Presentation Award for its fiscal 2018 annual budget document. To qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

On behalf of the Town, we are pleased to share Andover's 2018 CAFR.

Respectfully submitted,



Andrew P. Flanagan  
Town Manager



Donna Walsh  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Andover  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Town of Andover  
Massachusetts**

For the Fiscal Year Beginning

**July 1, 2017**

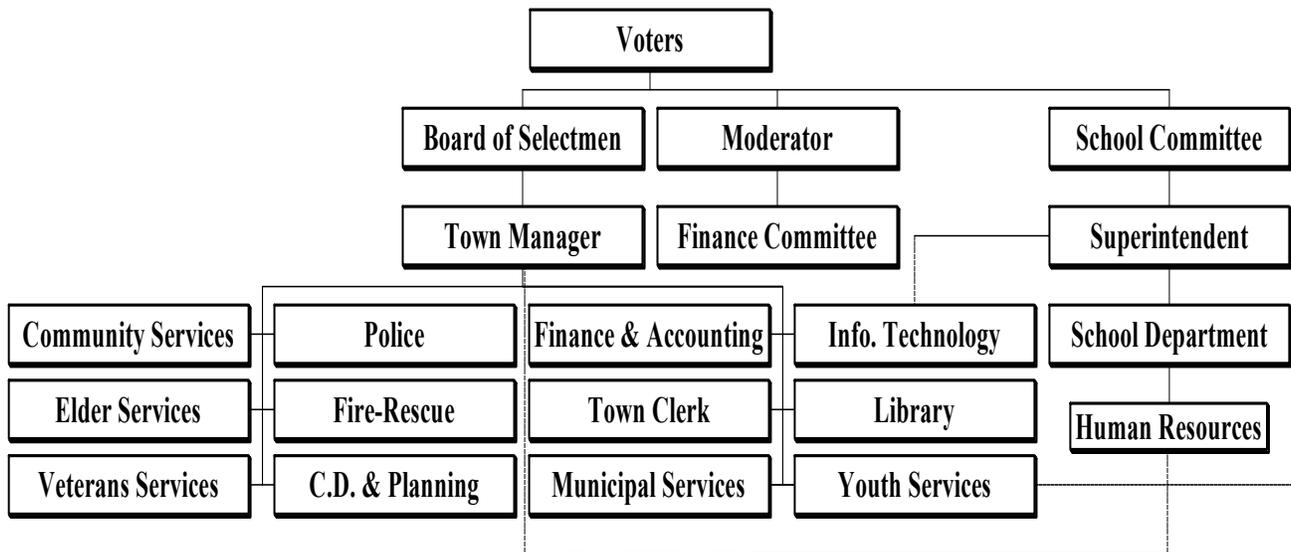
*Christopher P. Morrill*

Executive Director

# Town of Andover



## Organizational Chart



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

## Principal Town Officials

### Elected Officials

Board of Selectmen

Paul J. Salafia  
Alexander J. Vispoli, Chairman  
Christian Huntress, Secretary  
Ann W. Gilbert  
Laura M. Gregory, Vice Chair

Town Moderator

Sheila M. Doherty

School Committee

Joel G. Blumstein  
Susan McCready, Chair  
Tracey Spruce  
Shannon Scully  
Paul Murphy, Vice Chair

### Appointed Officials

Town Manager

Andrew P. Flanagan

Superintendent of Schools

Dr. Sheldon Berman

Town Accountant

Hayley Green

Finance Director

Donna Walsh

Treasurer

Michael Morse

Town Assessor

David Billard

Town Clerk

Lawrence J. Murphy

Fire Chief

Michael B. Mansfield

Police Chief

Patrick Keefe

Human Resources Director

Candace A. Hall-Nourse

Library Director

Beth H. Mazin

Municipal Services Director

Christopher M. Cronin

Chief Information Officer

Paul Puzzanghera

# *Financial Section*



**Burns Reservation**



Gazebo at the Park

# ***Financial Section***

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of Andover, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts as of and for the year ended June 30, 2018 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of June 30, 2018 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2017), and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Andover, Massachusetts' internal control over financial reporting and compliance.



February 7, 2019

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

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

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2018. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

### **Financial Highlights**

- At the close of the current year, the Town's general fund reported an ending fund balance of \$21.8 million which represents 12.2% of total general fund budgetary basis expenditures.
- For the government-wide financial statements, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent year by \$65.4 million (net position).
- Beginning net position of the governmental activities, the business-type activities and the enterprise funds has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, the Town's net position as of June 30, 2017, has been revised to reflect these changes. (See Note 19 for further details regarding the revised balances).
- The noncurrent governmental liabilities (excluding debt) increased by \$14.2 million, which was primarily due to a \$1.9 million decrease in the net pension liability, and a \$402,000 decrease in the compensated absences liability, offset by a \$15.8 million increase in the net OPEB liability, a \$670,000 increase in landfill closure liability, and a \$24,000 increase in the workers compensation liability.
- The governmental deferred outflows/inflows of resources related to pensions, net resulted in a decrease in net position of \$12.9 million and totaled \$17.8 million; which will be recognized as expense over the next five years.
- The governmental deferred outflows/inflows of resources related to OPEB, net resulted in an increase in net position of \$9.4 million; which will be recognized as expense over the next five years.
- The total gross debt (short-term and long-term combined) increased by \$10.2 million during the current year. This was due to the net effect of \$13.0 million in principal payments on outstanding debt, and the issuance of an additional \$23.2 million of debt for Town building construction and maintenance, playground improvements, a new fire truck, water and sewer infrastructure improvements, and other Town projects.
- The Town contributed an additional \$1.6 million to the OPEB trust fund in 2018 and at year-end the trust fund had a net position of \$10.0 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 position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

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

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

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

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources by \$65.4 million at the close of 2018, which was a decrease of \$12.3 million from the prior year.

Net position of \$156.4 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$9.2 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$231.0 million. The primary reason for this deficit balance is the recognition of the Pension and OPEB liabilities.

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

## Governmental Activities

The Town of Andover's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$114.8 million at the close of 2018, which was a decrease of \$11.4 million from the prior year.

	2018	2017 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 74,030,915	\$ 63,138,101
Noncurrent assets (excluding capital).....	294,535	265,296
Capital assets, non depreciable.....	46,740,986	34,310,959
Capital assets, net of accumulated depreciation.....	<u>147,825,730</u>	<u>151,320,715</u>
<b>Total assets.....</b>	<b><u>268,892,166</u></b>	<b><u>249,035,071</u></b>
<b>Deferred outflows of resources.....</b>	<b><u>38,470,441</u></b>	<b><u>33,450,487</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	14,791,974	13,684,624
Noncurrent liabilities (excluding debt).....	309,343,760	295,160,991
Current debt.....	7,523,190	8,785,774
Noncurrent debt.....	<u>77,659,917</u>	<u>65,786,513</u>
<b>Total liabilities.....</b>	<b><u>409,318,841</u></b>	<b><u>383,417,902</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>12,813,797</u></b>	<b><u>2,415,740</u></b>
<b>Net position:</b>		
Net investment in capital assets.....	114,397,564	117,289,661
Restricted.....	9,181,609	8,921,380
Unrestricted.....	<u>(238,349,204)</u>	<u>(229,559,125)</u>
<b>Total net position.....</b>	<b><u>\$ (114,770,031)</u></b>	<b><u>\$ (103,348,084)</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 15,764,787	\$ 15,084,227
Operating grants and contributions.....	35,595,338	33,303,032
Capital grants and contributions.....	2,589,849	3,053,353
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	138,291,617	133,419,328
Tax and other liens.....	324,654	331,830
Motor vehicle and other excise taxes.....	5,932,927	5,880,582
Hotel/motel tax.....	1,995,058	2,004,253
Meals tax.....	621,317	583,007
Penalties and interest on taxes.....	337,580	417,131
Grants and contributions not restricted to specific programs.....	2,034,338	2,365,532
Unrestricted investment income.....	553,617	232,297
Miscellaneous.....	-	49,925
<b>Total revenues.....</b>	<b><u>204,041,082</u></b>	<b><u>196,724,497</u></b>
<b>Expenses:</b>		
General government.....	14,257,548	14,410,788
Public safety.....	31,300,955	29,471,772
Education.....	137,718,100	132,222,941
Municipal services.....	20,462,938	22,362,301
Community services.....	5,200,282	4,720,122
Library.....	4,629,860	4,662,189
Interest.....	<u>1,893,346</u>	<u>2,044,006</u>
<b>Total expenses.....</b>	<b><u>215,463,029</u></b>	<b><u>209,894,119</u></b>
<b>Change in net position.....</b>	<b><u>(11,421,947)</u></b>	<b><u>(13,169,622)</u></b>
<b>Net position, beginning of year (as revised).....</b>	<b><u>(103,348,084)</u></b>	<b><u>(90,178,462)</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ (114,770,031)</u></b>	<b><u>\$ (103,348,084)</u></b>

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position, which reported a deficit of \$59.6 million has been revised and totals a deficit of \$103.3 million (See Note 19 for further details regarding the revised balances).

The governmental expenses totaled \$215.5 million of which \$53.9 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$150.1 million, primarily coming from property taxes, motor vehicle excise and other excise taxes, and non-restricted state aid.

The governmental net position decreased by \$11.4 million during the current year. This decrease was due to a \$12.9 million change in deferred outflows/inflows of resources related to pensions, net, a \$15.8 million increase in the net OPEB liability, depreciation expense; which is not a budgeted expense, exceeded debt principal payments that are raised in the tax rate by \$2.2 million, \$1.0 million of non-capitalizable repairs and maintenance costs recorded in the 2018 capital article; which is reported as a capital project fund and a \$750,000 increase in the landfill liability. These decreases were offset by a \$9.4 million change in deferred outflows/inflows of resources related to OPEB, net, a \$1.9 million decrease in the net pension liability, the recognition of \$2.6 million in capital grants, a \$5.5 million increase in the 2018 capital article funded by a transfer of general fund reserves, a \$1.4 million increase in the internal service fund and an \$894,000 decrease in the compensated absences liability.

Governmental expenses increased by \$5.6 million. The largest components of this increase include a \$5.5 million increase in educational expenses, a \$1.8 million increase in public safety expenses, offset by a \$1.9 million decrease in municipal services expenses. The increase in educational expenses mainly relates to a \$3.3 million increase in budgetary expenses as well as an increase of \$1.0 million in pension expense due to on-behalf pension payments by the Massachusetts Teachers Retirement System and a \$1.5 million increase due to recording the net OPEB liability. The increase in public safety expenses mainly relates to a \$1.6 million increase in budgetary expenses, offset by a \$900,000 decrease from recording the net pension liability and a \$500,000 increase from recording the net OPEB liability. The decrease in municipal services expenses mainly relates to a \$1.3 million decrease in non-capitalizable capital project expenses, mainly for repairs and maintenance, and a \$750,000 decrease from the change in the landfill liability.

**Business-Type Activities**

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49.4 million at the close of 2018.

	2018	2017 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 21,848,776	\$ 20,127,924
Noncurrent assets (excluding capital).....	4,756,995	5,684,624
Capital assets, non depreciable.....	3,476,393	4,359,267
Capital assets, net of accumulated depreciation.....	66,421,582	66,060,123
<b>Total assets.....</b>	<b>96,503,746</b>	<b>96,231,938</b>
<b>Deferred outflows of resources.....</b>	<b>2,239,154</b>	<b>1,943,924</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	749,114	996,613
Noncurrent liabilities (excluding debt).....	17,355,198	15,734,403
Current debt.....	3,737,077	4,945,219
Noncurrent debt.....	26,899,917	25,976,022
<b>Total liabilities.....</b>	<b>48,741,306</b>	<b>47,652,257</b>
<b>Deferred inflows of resources.....</b>	<b>640,438</b>	<b>248,064</b>
<b>Net position:</b>		
Net investment in capital assets.....	42,038,002	44,110,580
Unrestricted.....	7,323,154	6,164,961
<b>Total net position.....</b>	<b>\$ 49,361,156</b>	<b>\$ 50,275,541</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 13,926,860	\$ 13,240,318
Capital grants and contributions.....	247,000	-
<b>General Revenues:</b>		
Unrestricted investment income.....	82,864	48,981
<b>Total revenues.....</b>	<b>14,256,724</b>	<b>13,289,299</b>
<b>Expenses:</b>		
Water.....	10,160,951	9,065,449
Sewer.....	5,010,158	4,533,507
<b>Total expenses.....</b>	<b>15,171,109</b>	<b>13,598,956</b>
<b>Change in net position.....</b>	<b>(914,385)</b>	<b>(309,657)</b>
<b>Net position, beginning of year (as revised).....</b>	<b>50,275,541</b>	<b>50,585,198</b>
<b>Net position, end of year.....</b>	<b>\$ 49,361,156</b>	<b>\$ 50,275,541</b>

Beginning net position of the business-type activities has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of \$58.2 million has been revised and totals \$50.3 million (See Note 19 for further details regarding the revised balances).

Business-type net position of \$42.0 million (85%) represents the investment in capital assets while \$7.3 million (15%) is unrestricted. The Town's business-type net position decreased by \$914,000 in the current year.

The water department net position decreased by \$625,000. The decrease is primarily due to a \$540,000 change in deferred outflows/inflows of resources related to pensions, net, a \$979,000 increase in the net OPEB liability, and the recognition of \$813,000 of expense due to the Town entering into a intermunicipal agreement to supply water to the town of North Reading (See Note 17). These decreases were offset by a \$582,000 change in deferred outflows/inflows of resources related to OPEB, net, a \$247,000 capital grant, a \$79,000 operating surplus, a \$152,000 increase in unbilled water and sewer receivables, and a \$595,000 increase in the water capital project funds that was funded by transfers from the water operating fund.

The sewer department net position decreased by \$289,000. The decrease is primarily due to a \$198,000 change in deferred outflows/inflows of resources related to pensions, net, a \$198,000 increase in the net OPEB liability, and \$350,000 in repairs and maintenance expenditures that relate to sewer line repairs. These decreases were offset by a \$205,000 decrease in the net pension liability and a \$118,000 change in deferred outflows/inflows of resources related to OPEB, net.

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

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$45.4 million, which is comprised of \$21.8 million in the general fund, \$1.0 million in the school projects fund, and \$22.6 million in the nonmajor governmental funds. Cumulatively there was an increase of \$5.9 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$17.9 million, while total fund balance was \$21.8 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 10% of total general fund budgetary expenditures, while total fund balance represents 12% of that same amount. The general fund experienced a decrease of \$131,000, which was due to a \$459,000 decrease in budgetary operating results, offset by \$350,000 from the recognition of real estate and personal property tax revenue received within 60 days of year-end.

The highway construction fund is used to account for highway construction projects that are reimbursable by the Massachusetts Department of Transportation. In 2018, the Town recorded reimbursable expenditures and capital grant revenue totaling \$1.2 million.

The school projects fund experienced an increase of \$486,000. This increase is due to bond proceeds and premiums received to permanently finance construction costs.

The nonmajor funds experienced an increase of \$5.5 million, which was due to timing differences between the receipt and expenditure of grant funds and the permanent financing of capital projects.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2018 approved budget authorized \$168.2 million in appropriations and other amounts to be raised. During 2018, Town Meeting also approved supplemental appropriations totaling \$3.7 million. The purpose of the supplemental appropriations was to fund capital project expenditures, snow and ice removal, and public safety salaries.

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

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

Major capital events during the current year include the following:

- Governmental activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$17.8 million.
- Business-type activities included additions to construction in progress, machinery and equipment, and infrastructure totaling \$2.5 million.

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

As of June 30, 2018, outstanding long-term debt for governmental activities totaled \$85.0 million, of which \$47.0 million is related to school projects, \$20.2 million is for municipal services, \$3.8 million is for land acquisition, \$2.5 million is for public safety projects, \$1.8 million is for culture and recreation projects, \$6.2 million is for other projects and the remaining balance of \$3.5 million relates to unamortized bond premiums. The Town issued \$12.6 million of governmental bonds in 2018.

The sewer and water enterprise funds have outstanding long-term debt totaling \$13.8 million and \$15.8 million, respectively. \$2.6 million of new long-term debt was issued in 2018 for water infrastructure improvements. The debt is fully supported by rates and does not rely on a general fund subsidy.

On the scheduled due date of November 16, 2018, \$7.8 million of BANS were permanently financed through the issuance of long-term debt and accordingly have been presented as long-term debt. The remaining \$160,000 of outstanding short-term debt was paid down on the scheduled due date.

Please refer to notes 4, 6, 7, and 8 for further discussion of the major capital and debt activity.

## ***Requests for Information***

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

# ***Basic Financial Statements***

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## STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 51,292,274	\$ 16,414,111	\$ 67,706,385
Investments.....	10,023,066	-	10,023,066
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,102,345	-	2,102,345
Tax liens.....	2,013,537	68,109	2,081,646
Motor vehicle and other excise taxes.....	580,233	-	580,233
User charges.....	-	4,784,523	4,784,523
Departmental and other.....	1,018,516	-	1,018,516
Intergovernmental.....	6,741,852	-	6,741,852
Special assessments.....	-	582,033	582,033
Tax foreclosures.....	259,092	-	259,092
<b>Total current assets.....</b>	<b>74,030,915</b>	<b>21,848,776</b>	<b>95,879,691</b>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	294,535	-	294,535
Special assessments.....	-	4,756,995	4,756,995
Capital assets, nondepreciable.....	46,740,986	3,476,393	50,217,379
Capital assets, net of accumulated depreciation.....	147,825,730	66,421,582	214,247,312
<b>Total noncurrent assets.....</b>	<b>194,861,251</b>	<b>74,654,970</b>	<b>269,516,221</b>
<b>TOTAL ASSETS.....</b>	<b>268,892,166</b>	<b>96,503,746</b>	<b>365,395,912</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows for refunding debt.....	223,097	138,831	361,928
Deferred outflows related to pensions.....	28,733,242	1,390,804	30,124,046
Deferred outflows related to other postemployment benefits.....	9,514,102	709,519	10,223,621
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>38,470,441</b>	<b>2,239,154</b>	<b>40,709,595</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	3,103,833	326,318	3,430,151
Accrued payroll.....	6,573,233	44,278	6,617,511
Health claims payable.....	1,884,000	-	1,884,000
Tax refunds payable.....	336,000	-	336,000
Due to other governments.....	-	92,524	92,524
Accrued interest.....	843,268	232,876	1,076,144
Liabilities due depositors.....	-	10,118	10,118
Other liabilities.....	565,640	-	565,640
Landfill closure.....	280,000	-	280,000
Compensated absences.....	789,000	43,000	832,000
Workers' compensation.....	417,000	-	417,000
Capital lease obligations.....	89,883	-	89,883
Notes payable.....	-	160,000	160,000
Bonds payable.....	7,433,307	3,577,077	11,010,384
<b>Total current liabilities.....</b>	<b>22,315,164</b>	<b>4,486,191</b>	<b>26,801,355</b>
<b>NONCURRENT:</b>			
Due to other governments.....	-	720,404	720,404
Landfill closure.....	15,260,000	-	15,260,000
Compensated absences.....	3,000,000	279,000	3,279,000
Workers' compensation.....	213,000	-	213,000
Net pension liability.....	155,275,122	6,243,676	161,518,798
Net other postemployment benefits liability.....	135,595,638	10,112,118	145,707,756
Capital lease obligations.....	132,932	-	132,932
Bonds payable.....	77,526,985	28,899,917	104,426,902
<b>Total noncurrent liabilities.....</b>	<b>387,003,677</b>	<b>44,255,115</b>	<b>431,258,792</b>
<b>TOTAL LIABILITIES.....</b>	<b>409,318,841</b>	<b>48,741,306</b>	<b>458,060,147</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes paid in advance.....	1,797,411	-	1,797,411
Deferred inflows related to pensions.....	10,886,783	630,773	11,517,556
Deferred inflows related to other postemployment benefits.....	129,603	9,665	139,268
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>12,813,797</b>	<b>640,438</b>	<b>13,454,235</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	114,397,564	42,038,002	156,435,566
Restricted for:			
Debt service.....	608,191	-	608,191
Permanent funds:			
Expendable.....	628,047	-	628,047
Nonexpendable.....	1,315,354	-	1,315,354
Gifts and grants.....	6,630,017	-	6,630,017
Unrestricted.....	(238,349,204)	7,323,154	(231,026,050)
<b>TOTAL NET POSITION.....</b>	<b>\$ (114,770,031)</b>	<b>\$ 49,381,156</b>	<b>\$ (65,408,875)</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 14,257,548	\$ 1,978,261	\$ 1,179,852	\$ -	\$ (11,099,435)
Public safety.....	31,300,955	6,515,366	324,828	-	(24,460,761)
Education.....	137,718,100	5,127,469	33,435,322	1,104,315	(98,050,994)
Municipal services.....	20,462,938	267,473	39,463	1,452,390	(18,703,612)
Community services.....	5,200,282	1,871,628	494,044	33,144	(2,801,466)
Library.....	4,629,860	4,590	121,829	-	(4,503,441)
Interest.....	1,893,346	-	-	-	(1,893,346)
<b>Total Governmental Activities.....</b>	<b>215,463,029</b>	<b>15,764,787</b>	<b>35,595,338</b>	<b>2,589,849</b>	<b>(161,513,055)</b>
<i>Business-Type Activities:</i>					
Water.....	10,160,951	9,242,742	-	247,000	(671,209)
Sewer.....	5,010,158	4,684,118	-	-	(326,040)
<b>Total Business-Type Activities.....</b>	<b>15,171,109</b>	<b>13,926,860</b>	<b>-</b>	<b>247,000</b>	<b>(997,249)</b>
<b>Total Primary Government.....</b>	<b>\$ 230,634,138</b>	<b>\$ 29,691,647</b>	<b>\$ 35,595,338</b>	<b>\$ 2,836,849</b>	<b>\$ (162,510,304)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(161,513,055)</b>	\$ <b>(997,249)</b>	\$ <b>(162,510,304)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	138,291,617	-	138,291,617
Tax and other liens.....	324,654	-	324,654
Motor vehicle and other excise taxes.....	5,932,927	-	5,932,927
Hotel/motel tax.....	1,995,058	-	1,995,058
Meals tax.....	621,317	-	621,317
Penalties and interest on taxes.....	337,580	-	337,580
Grants and contributions not restricted to specific programs.....	2,034,338	-	2,034,338
Unrestricted investment income.....	553,617	82,864	636,481
Total general revenues.....	<u>150,091,108</u>	<u>82,864</u>	<u>150,173,972</u>
Change in net position.....	(11,421,947)	(914,385)	(12,336,332)
<i>Net position:</i>			
Beginning of year (as revised).....	<u>(103,348,084)</u>	<u>50,275,541</u>	<u>(53,072,543)</u>
End of year.....	\$ <u><u>(114,770,031)</u></u>	\$ <u><u>49,361,156</u></u>	\$ <u><u>(65,408,875)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2018

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 22,969,579	\$ -	\$ 1,222,536	\$ 21,346,768	\$ 45,538,883
Investments.....	7,506,773	-	-	2,516,293	10,023,066
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	2,102,345	-	-	-	2,102,345
Tax liens.....	2,013,537	-	-	-	2,013,537
Motor vehicle and other excise taxes.....	580,233	-	-	-	580,233
Departmental and other.....	950,458	-	-	239,957	1,190,415
Intergovernmental.....	-	4,722,324	1,239,504	780,024	6,741,852
Tax foreclosures.....	259,092	-	-	-	259,092
Due from other funds.....	6,460	-	-	-	6,460
<b>TOTAL ASSETS.....</b>	<b>\$ 36,388,477</b>	<b>\$ 4,722,324</b>	<b>\$ 2,462,040</b>	<b>\$ 24,883,042</b>	<b>\$ 68,455,883</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 905,248	\$ 27,860	\$ 183,342	\$ 1,832,175	\$ 2,948,625
Accrued payroll.....	6,359,669	-	-	213,564	6,573,233
Tax refunds payable.....	336,000	-	-	-	336,000
Due to other funds.....	-	6,460	-	-	6,460
Other liabilities.....	33,519	-	-	-	33,519
<b>TOTAL LIABILITIES.....</b>	<b>7,634,436</b>	<b>34,320</b>	<b>183,342</b>	<b>2,045,739</b>	<b>9,897,837</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes paid in advance.....	1,797,411	-	-	-	1,797,411
Unavailable revenue.....	5,186,143	4,688,004	1,239,504	219,737	11,333,388
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>6,983,554</b>	<b>4,688,004</b>	<b>1,239,504</b>	<b>219,737</b>	<b>13,130,799</b>
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	1,315,354	1,315,354
Restricted.....	608,191	-	1,039,194	21,568,676	23,216,061
Committed.....	1,934,625	-	-	-	1,934,625
Assigned.....	1,340,429	-	-	-	1,340,429
Unassigned.....	17,887,242	-	-	(266,464)	17,620,778
<b>TOTAL FUND BALANCES.....</b>	<b>21,770,487</b>	<b>-</b>	<b>1,039,194</b>	<b>22,617,566</b>	<b>45,427,247</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 36,388,477</b>	<b>\$ 4,722,324</b>	<b>\$ 2,462,040</b>	<b>\$ 24,883,042</b>	<b>\$ 68,455,883</b>

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances.....	\$	45,427,247
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		194,566,716
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		11,333,388
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		27,454,055
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		2,674,698
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(843,268)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(84,960,292)	
Net pension liability.....	(155,275,122)	
Net other postemployment benefits liability.....	(135,595,638)	
Landfill closure.....	(15,540,000)	
Capital lease obligations.....	(222,815)	
Compensated absences.....	<u>(3,789,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(395,382,867)</u>
Net position of governmental activities.....	\$	<u>(114,770,031)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 138,082,006	\$ -	\$ -	\$ -	\$ 138,082,006
Tax liens.....	138,466	-	-	-	138,466
Motor vehicle and other excise taxes.....	5,836,628	-	-	-	5,836,628
Hotel/motel tax.....	1,995,058	-	-	-	1,995,058
Meals tax.....	621,317	-	-	-	621,317
Charges for services.....	-	-	-	962,646	962,646
Penalties and interest on taxes.....	337,580	-	-	-	337,580
Licenses and permits.....	3,062,433	-	-	-	3,062,433
Intergovernmental - Teachers Retirement.....	17,596,166	-	-	-	17,596,166
Intergovernmental.....	12,558,957	1,249,683	-	6,945,090	20,753,730
Departmental and other.....	3,476,776	-	-	8,375,721	11,852,497
Contributions and donations.....	-	-	-	308,633	308,633
Investment income.....	420,988	-	-	111,258	532,246
<b>TOTAL REVENUES.....</b>	<b>184,126,375</b>	<b>1,249,683</b>	<b>-</b>	<b>16,703,348</b>	<b>202,079,406</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	7,645,944	-	-	1,260,565	8,906,509
Public safety.....	17,199,526	-	-	1,844,210	19,043,736
Education.....	80,028,305	-	-	10,090,649	90,118,954
Municipal services.....	11,979,034	1,249,683	-	274,287	13,503,004
Community services.....	2,116,857	-	-	1,584,982	3,701,839
Library.....	2,694,198	-	-	92,611	2,786,809
Pension benefits.....	9,059,954	-	-	-	9,059,954
Pension benefits - Teachers Retirement.....	17,596,166	-	-	-	17,596,166
Property and liability insurance.....	884,567	-	-	-	884,567
Employee benefits.....	20,357,485	-	-	-	20,357,485
State and county charges.....	680,010	-	-	-	680,010
Capital outlay.....	-	-	2,389,236	17,793,441	20,182,677
Debt service:					
Principal.....	6,637,898	-	-	-	6,637,898
Interest.....	2,361,998	-	-	-	2,361,998
<b>TOTAL EXPENDITURES.....</b>	<b>179,241,942</b>	<b>1,249,683</b>	<b>2,389,236</b>	<b>32,940,745</b>	<b>215,821,606</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>4,884,433</b>	<b>-</b>	<b>(2,389,236)</b>	<b>(16,237,397)</b>	<b>(13,742,200)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	2,784,100	15,959,000	18,743,100
Premium from issuance of bonds.....	-	-	90,900	339,223	430,123
Capital lease financing.....	-	-	-	432,672	432,672
Transfers in.....	517,654	-	-	5,813,875	6,331,529
Transfers out.....	(5,532,875)	-	-	(798,654)	(6,331,529)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(5,015,221)</b>	<b>-</b>	<b>2,875,000</b>	<b>21,746,116</b>	<b>19,605,895</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(130,788)</b>	<b>-</b>	<b>485,764</b>	<b>5,508,719</b>	<b>5,863,695</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>21,901,275</b>	<b>-</b>	<b>553,430</b>	<b>17,108,847</b>	<b>39,563,552</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 21,770,487</b>	<b>\$ -</b>	<b>\$ 1,039,194</b>	<b>\$ 22,617,566</b>	<b>\$ 45,427,247</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**

YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds.....		\$ 5,863,695
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	17,747,379	
Depreciation expense.....	<u>(8,812,337)</u>	
Net effect of reporting capital assets.....		8,935,042
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		1,940,505
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	209,857	
Issuance of bonds.....	(18,743,100)	
Premium from issuance of bonds.....	(430,123)	
Capital lease financing.....	(432,672)	
Net amortization of premium from issuance of bonds.....	572,320	
Net change in deferred charge on refunding.....	(97,429)	
Debt service principal payments.....	<u>6,637,898</u>	
Net effect of reporting long-term debt.....		(12,283,249)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	894,000	
Net change in accrued interest on long-term debt.....	(6,237)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(12,867,762)	
Net change in net pension liability.....	1,890,896	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	9,384,499	
Net change in net other postemployment benefits liability.....	(15,781,665)	
Net change in landfill closure.....	<u>(750,000)</u>	
Net effect of recording long-term liabilities.....		(17,236,269)
The net activity of internal service funds is reported with Governmental Activities.....		<u>1,358,329</u>
Change in net position of governmental activities.....		\$ <u><u>(11,421,947)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 11,192,728	\$ 5,221,383	\$ 16,414,111	\$ 5,753,391
Receivables, net of allowance for uncollectibles:				
Liens - user charges.....	39,973	28,136	68,109	-
User charges.....	3,220,900	1,563,623	4,784,523	-
Departmental and other.....	-	-	-	122,636
Special assessments.....	-	582,033	582,033	-
Total current assets.....	<u>14,453,601</u>	<u>7,395,175</u>	<u>21,848,776</u>	<u>5,876,027</u>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	4,756,995	4,756,995	-
Capital assets, non depreciable.....	3,318,841	157,552	3,476,393	-
Capital assets, net of accumulated depreciation.....	<u>33,266,147</u>	<u>33,155,435</u>	<u>66,421,582</u>	<u>-</u>
Total noncurrent assets.....	<u>36,584,988</u>	<u>38,069,982</u>	<u>74,654,970</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<b><u>51,038,589</u></b>	<b><u>45,465,157</u></b>	<b><u>96,503,746</u></b>	<b><u>5,876,027</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding.....	31,076	107,755	138,831	-
Deferred outflows related to pensions.....	1,245,235	145,569	1,390,804	-
Deferred outflows related to other postemployment benefits.....	<u>589,903</u>	<u>119,616</u>	<u>709,519</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>1,866,214</u></b>	<b><u>372,940</u></b>	<b><u>2,239,154</u></b>	<b><u>-</u></b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	279,225	47,093	326,318	155,208
Accrued payroll.....	38,428	5,850	44,278	-
Health claims payable.....	-	-	-	1,884,000
Due to other governments.....	92,524	-	92,524	-
Liabilities due to depositors.....	-	10,118	10,118	-
Accrued interest.....	121,738	111,138	232,876	-
Other liabilities.....	-	-	-	532,121
Compensated absences.....	38,000	5,000	43,000	-
Workers' compensation.....	-	-	-	417,000
Notes payable.....	160,000	-	160,000	-
Bonds payable.....	<u>1,641,012</u>	<u>1,936,065</u>	<u>3,577,077</u>	<u>-</u>
Total current liabilities.....	<u>2,370,927</u>	<u>2,115,264</u>	<u>4,486,191</u>	<u>2,988,329</u>
<b>NONCURRENT:</b>				
Due to other governments.....	720,404	-	720,404	-
Compensated absences.....	248,000	31,000	279,000	-
Workers' compensation.....	-	-	-	213,000
Net pension liability.....	5,422,077	821,599	6,243,676	-
Net other postemployment benefits liability.....	8,407,338	1,704,780	10,112,118	-
Bonds payable.....	<u>14,818,237</u>	<u>12,081,680</u>	<u>26,899,917</u>	<u>-</u>
Total noncurrent liabilities.....	<u>29,616,056</u>	<u>14,639,059</u>	<u>44,255,115</u>	<u>213,000</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>31,986,983</u></b>	<b><u>16,754,323</u></b>	<b><u>48,741,306</u></b>	<b><u>3,201,329</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions.....	331,941	298,832	630,773	-
Deferred inflows related to other postemployment benefits.....	<u>8,036</u>	<u>1,629</u>	<u>9,665</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>339,977</u></b>	<b><u>300,461</u></b>	<b><u>640,438</u></b>	<b><u>-</u></b>
<b>NET POSITION</b>				
Net investment in capital assets.....	21,749,831	20,288,171	42,038,002	-
Unrestricted.....	<u>(1,171,988)</u>	<u>8,495,142</u>	<u>7,323,154</u>	<u>2,674,698</u>
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 20,577,843</u></b>	<b><u>\$ 28,783,313</u></b>	<b><u>\$ 49,361,156</u></b>	<b><u>\$ 2,674,698</u></b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>OPERATING REVENUES:</b>				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 7,150,883
Employer contributions.....	-	-	-	20,235,988
Charges for services.....	9,242,742	4,684,118	13,926,860	-
<b>TOTAL OPERATING REVENUES</b> .....	<b>9,242,742</b>	<b>4,684,118</b>	<b>13,926,860</b>	<b>27,386,871</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration.....	2,803,679	2,195,347	4,999,026	-
Salaries and wages.....	2,666,610	635,744	3,302,354	-
Repairs and maintenance.....	-	349,546	349,546	-
Property and liability insurance.....	-	-	-	30,618
Depreciation.....	1,871,159	1,151,190	3,022,349	-
Employee benefits.....	1,386,941	177,204	1,564,145	26,019,295
<b>TOTAL OPERATING EXPENSES</b> .....	<b>8,728,389</b>	<b>4,509,031</b>	<b>13,237,420</b>	<b>26,049,913</b>
<b>OPERATING INCOME (LOSS)</b> .....	<b>514,353</b>	<b>175,087</b>	<b>689,440</b>	<b>1,336,958</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Inter-municipal agreement.....	(812,928)	-	(812,928)	-
Investment income.....	45,783	37,081	82,864	21,371
Interest expense.....	(619,634)	(501,127)	(1,120,761)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<b>(1,386,779)</b>	<b>(464,046)</b>	<b>(1,850,825)</b>	<b>21,371</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b> .....	<b>(872,426)</b>	<b>(288,959)</b>	<b>(1,161,385)</b>	<b>1,358,329</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>247,000</b>	<b>-</b>	<b>247,000</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b> .....	<b>(625,426)</b>	<b>(288,959)</b>	<b>(914,385)</b>	<b>1,358,329</b>
<b>NET POSITION AT BEGINNING OF YEAR (AS REVISED)</b> .....	<b>21,203,269</b>	<b>29,072,272</b>	<b>50,275,541</b>	<b>1,316,369</b>
<b>NET POSITION AT END OF YEAR</b> .....	<b>\$ 20,577,843</b>	<b>\$ 28,783,313</b>	<b>\$ 49,361,156</b>	<b>\$ 2,674,698</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 8,897,520	\$ 4,705,860	\$ 13,603,380	\$ 7,150,883
Receipts from interfund services provided.....	-	-	-	20,406,633
Payments to vendors.....	(3,018,307)	(2,509,743)	(5,528,050)	(99,244)
Payments to employees.....	(2,709,945)	(640,823)	(3,350,768)	-
Payments for interfund services used.....	(510,046)	(103,748)	(613,794)	(25,771,832)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,659,222</b>	<b>1,451,546</b>	<b>4,110,768</b>	<b>1,686,440</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	4,156,900	300,000	4,456,900	-
Capital contributions.....	247,000	-	247,000	-
Acquisition and construction of capital assets.....	(2,575,012)	(42,422)	(2,617,434)	-
Principal payments on bonds and notes.....	(2,900,004)	(1,855,000)	(4,755,004)	-
Interest expense.....	(503,972)	(551,476)	(1,055,448)	-
Special assessments.....	-	931,084	931,084	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,575,088)</b>	<b>(1,217,814)</b>	<b>(2,792,902)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income.....	45,783	37,081	82,864	21,371
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>1,129,917</b>	<b>270,813</b>	<b>1,400,730</b>	<b>1,707,811</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>10,062,811</b>	<b>4,950,570</b>	<b>15,013,381</b>	<b>4,045,580</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 11,192,728</b>	<b>\$ 5,221,383</b>	<b>\$ 16,414,111</b>	<b>\$ 5,753,391</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 514,353	\$ 175,087	\$ 689,440	\$ 1,336,958
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	1,871,159	1,151,190	3,022,349	-
Deferred (outflows)/inflows related to pensions.....	539,912	197,902	737,814	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(581,867)	(117,987)	(699,854)	-
Disposition of capital assets.....	-	116,500	116,500	-
Changes in assets and liabilities:				
Liens - user charges.....	36,939	34,101	71,040	-
User charges.....	(382,161)	(12,455)	(394,616)	-
Departmental and other.....	-	-	-	170,645
Warrants payable.....	(214,628)	(81,350)	(295,978)	(128,537)
Accrued payroll.....	(335)	(79)	(414)	-
Health claims payable.....	-	-	-	(44,000)
Liabilities due depositors.....	-	96	96	-
Other liabilities.....	-	-	-	(68,626)
Compensated absences.....	(43,000)	(5,000)	(48,000)	-
Workers' compensation.....	-	-	-	420,000
Net pension liability.....	(59,661)	(204,874)	(264,535)	-
Net other postemployment benefits.....	978,511	198,415	1,176,926	-
Total adjustments.....	2,144,869	1,276,459	3,421,328	349,482
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,659,222</b>	<b>\$ 1,451,546</b>	<b>\$ 4,110,768</b>	<b>\$ 1,686,440</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>				
Change in the deferred loss on debt refunding.....	\$ (13,335)	\$ (45,849)	\$ (59,184)	\$ -
Disposition of capital assets.....	-	(116,500)	(116,500)	-
Inter-municipal agreement.....	(812,928)	-	(812,928)	-

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,043,400	\$ 219,212	\$ 1,319,193
Investments:			
Investments in Pension Reserve Investment Trust.....	142,733,301	-	-
Government sponsored enterprises.....	-	1,564,567	-
Mutual funds.....	9,953,082	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	5,169	-	-
<b>TOTAL ASSETS.....</b>	<b>153,734,952</b>	<b>1,783,779</b>	<b>1,319,193</b>
<b>LIABILITIES</b>			
Warrants payable.....	10,108	-	-
Liabilities due depositors.....	-	-	1,319,193
<b>TOTAL LIABILITIES.....</b>	<b>10,108</b>	<b>-</b>	<b>1,319,193</b>
<b>NET POSITION</b>			
Restricted for pensions.....	143,771,762	-	-
Restricted for other postemployment benefits.....	9,953,082	-	-
Held in trust for other purposes.....	-	1,783,779	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 153,724,844</b>	<b>\$ 1,783,779</b>	<b>\$ -</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 11,166,198	\$ -
Employer contributions for other postemployment benefit payments...	4,923,643	-
Member contributions.....	3,853,001	-
Transfers from other systems.....	552,778	-
State COLA reimbursements.....	34,550	-
	<u>20,530,170</u>	<u>-</u>
Net investment income:		
Investment income.....	22,447,269	115,882
Less: investment expense.....	(632,104)	-
	<u>21,815,165</u>	<u>115,882</u>
Net investment income (loss).....	<u>21,815,165</u>	<u>115,882</u>
	<u>42,345,335</u>	<u>115,882</u>
<b>DEDUCTIONS:</b>		
Administration.....	267,297	-
Transfers to other systems.....	736,478	-
Retirement benefits and refunds.....	13,919,561	-
Other postemployment benefit payments.....	4,923,643	-
Educational scholarships.....	-	32,662
	<u>19,846,979</u>	<u>32,662</u>
TOTAL DEDUCTIONS.....	<u>19,846,979</u>	<u>32,662</u>
NET INCREASE (DECREASE) IN NET POSITION.....	22,498,356	83,220
NET POSITION AT BEGINNING OF YEAR.....	<u>131,226,488</u>	<u>1,700,559</u>
NET POSITION AT END OF YEAR.....	<u>\$ 153,724,844</u>	<u>\$ 1,783,779</u>

See notes to basic financial statements.

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

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

**A. Reporting Entity**

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

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

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

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

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

**Joint Venture**

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

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

*Greater Lawrence Sanitary District (GLSD)*

GLSD operates a wastewater treatment plant for five member communities, one of which is the Town. The GLSD is governed by a seven member board consisting of one appointed representative from the Town. The Town is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2018 the Town's assessment totaled \$1,687,998. The Town does not have an equity interest in the District. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

*Greater Lawrence Regional Technical Vocational School (GLRTVS)*

The Town is a member of the GLRTVS that serves the members students seeking an education in academic, technical and agriculture studies. 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 year ended June 30, 2018, the Town's assessment totaled \$520,525. Separate financial statements may be obtained by writing to the Treasurer of the GLRTVS at 57 River Road, Andover, MA 01810.

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

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

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

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

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met, and the amount is received during the period or within the availability period for this revenue source.

The following major governmental funds are reported:

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

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

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.

#### D. Cash and Investments

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

#### E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

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

Real estate and personal property taxes are levied and based on values assessed on January 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 year of the levy.

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

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

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

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

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

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

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

**Water and Sewer User Fees**

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

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

**Departmental and Other**

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

**Special Assessments**

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

**Intergovernmental**

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

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

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

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

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

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

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets (excluding land and construction-in-progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

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

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

L. Unavailable Revenue

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

M. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

"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.

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

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

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

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

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority for the government that can, by adoption of an article, which constitutes the most binding restraint, prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the article remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

## N. Long-term debt

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

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

### *Governmental Fund Financial Statements*

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

## O. Pensions

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

## P. Investment Income

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

## Q. Compensated Absences

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

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

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

### *Governmental Fund Financial Statements*

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

## R. Fund Deficits

The workers compensation fund has a deficit of \$437,801 at year-end. This deficit will be funded by future employer contributions. The other capital project fund includes individual projects with deficits totaling \$266,464 at year-end. These deficits will be funded by proceeds from the issuance of long-term debt.

### S. Use of Estimates

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

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

### T. Total Column

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

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

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

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

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

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

### Custodial Credit Risk – Deposits

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

These deposits will be limited to no more than 5% of an institution’s assets and no more than 10% of the Town’s cash. This percentage may be increased for no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. CD’s will be purchased for no more than three months and will be reviewed frequently. The Town’s policy also allows unlimited investments in money market funds, which are allowed by statute and are considered to be liquid funds.

At year-end, the carrying amount of deposits totaled \$65,000,051 and the bank balance totaled \$67,515,095. Of the bank balance, \$2,599,814 was covered by Federal Depository Insurance, \$4,229,985 was covered by Depositors Insurance Fund, \$100,058 was covered by Share Insurance Fund, \$38,125,529 was collateralized and \$22,459,709 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2017, the carrying amount of deposits for the Retirement System totaled \$1,043,400 and the bank balance totaled \$1,063,900. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2018, the Town of Andover had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>	
		<u>Under 1 Year</u>	<u>1-5 Years</u>
<u>Debt securities:</u>			
U.S. government agencies.....	\$ 2,162,910	\$ 1,845,214	\$ 317,696
Government sponsored enterprises.....	7,860,157	3,367,132	4,493,025
Corporate bonds.....	101,029	80,097	20,932
Total debt securities.....	10,124,096	\$ 5,292,443	\$ 4,831,653
<u>Other investments:</u>			
Equity securities.....	241,289		
Equity mutual funds.....	1,222,248		
Mutual funds.....	9,953,082		
Money Market Mutual Funds.....	1,573,905		
MMDT - Cash Portfolio.....	2,670,834		
Total investments.....	\$ 25,785,454		

As of December 31, 2017, the Retirement System had \$142,733,301 invested in PRIT.

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 \$2,162,910 in government agencies, \$7,860,157 in government sponsored enterprises, \$101,029 in corporate bonds, and \$241,289 in equity securities, the Town has a custodial credit risk exposure of \$10,365,385 because the related securities are uninsured, unregistered and held by the counterparty. The Town’s policy requires all securities, not held directly by the Town, to be held in the Town’s name and tax identification number by a third party custodian approved by the Treasurer.

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

### Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.15 to 16.31 years.

### Credit Risk

The Town's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry a AA rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. Of the \$101,029 of corporate bonds, Standard & Poor's Investors Service rated \$34,759 A, and \$66,270 BBB; \$2,670,834 of MMDT shares and \$1,573,905 of money market mutual funds were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$142,733,301 of PRIT shares were unrated.

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2018, no more than 5 percent of the Town's investments are invested in any one issuer.

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

### Fair Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2018:

Investment Type	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. government agencies.....	\$ 2,162,910	\$ 2,162,910	\$ -	\$ -
Government sponsored enterprises.....	7,860,157	7,860,157	-	-
Corporate bonds.....	101,029	-	101,029	-
Total debt securities.....	10,124,096	10,023,067	101,029	-
<u>Other investments:</u>				
Equity securities.....	241,289	241,289	-	-
Equity mutual funds.....	1,222,248	1,222,248	-	-
Mutual funds.....	9,953,082	9,953,082	-	-
Money Market Mutual Funds.....	1,573,905	1,573,905	-	-
Total other investments.....	12,990,524	12,990,524	-	-
Total investments measured at fair value.....	23,114,620	\$ 23,013,591	\$ 101,029	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	2,670,834			
Total investments.....	\$ 25,785,454			

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

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

**Retirement System**

The retiree pension defined benefit plan holds significant amounts of investments that are measured at net asset value on a recurring basis.

As of December 31, 2017, the System had \$142,733,301 invested in PRIT. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

**NOTE 3 – RECEIVABLES**

At June 30, 2018, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,102,345	\$ -	\$ 2,102,345
Tax liens.....	2,013,537	-	2,013,537
Motor vehicle and other excise taxes.....	904,226	(323,993)	580,233
Departmental and other.....	1,340,684	(27,633)	1,313,051
Intergovernmental.....	6,741,852	-	6,741,852
Total.....	<u>\$ 13,102,644</u>	<u>\$ (351,626)</u>	<u>\$ 12,751,018</u>

At June 30, 2018, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 3,220,900	\$ -	\$ 3,220,900
Sewer user charges.....	1,563,623	-	1,563,623
Water liens - user charges.....	39,973	-	39,973
Sewer liens - user charges.....	28,136	-	28,136
Sewer special assessments.....	5,339,028	-	5,339,028
Total.....	<u>\$ 10,191,660</u>	<u>\$ -</u>	<u>\$ 10,191,660</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,503,974	\$ -	\$ 1,503,974
Tax liens.....	2,013,537	-	2,013,537
Motor vehicle and other excise taxes.....	580,233	-	580,233
Departmental and other.....	829,307	219,737	1,049,044
Tax foreclosures.....	259,092	-	259,092
Intergovernmental.....	-	5,927,508	5,927,508
Total.....	<u>\$ 5,186,143</u>	<u>\$ 6,147,245</u>	<u>\$ 11,333,388</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 32,881,857	\$ -	\$ -	\$ 32,881,857
Construction in progress.....	<u>1,429,102</u>	<u>12,941,557</u>	<u>(511,530)</u>	<u>13,859,129</u>
Total capital assets not being depreciated.....	<u>34,310,959</u>	<u>12,941,557</u>	<u>(511,530)</u>	<u>46,740,986</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	198,682,663	1,655,251	-	200,337,914
Machinery and equipment.....	16,568,407	1,317,126	(2,004,338)	15,881,195
Land improvements.....	26,793,739	-	-	26,793,739
Infrastructure.....	45,852,635	1,720,394	(983,150)	46,589,879
Vehicles.....	8,246,842	624,581	(287,815)	8,583,608
Library books.....	<u>7,138,768</u>	<u>-</u>	<u>-</u>	<u>7,138,768</u>
Total capital assets being depreciated.....	<u>303,283,054</u>	<u>5,317,352</u>	<u>(3,275,303)</u>	<u>305,325,103</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(91,027,726)	(4,265,058)	-	(95,292,784)
Machinery and equipment.....	(11,805,544)	(899,849)	2,004,338	(10,701,055)
Land improvements.....	(10,558,948)	(1,378,782)	-	(11,937,730)
Infrastructure.....	(26,857,708)	(1,460,149)	983,150	(27,334,707)
Vehicles.....	(5,375,025)	(594,553)	287,815	(5,681,763)
Library books.....	<u>(6,337,388)</u>	<u>(213,946)</u>	<u>-</u>	<u>(6,551,334)</u>
Total accumulated depreciation.....	<u>(151,962,339)</u>	<u>(8,812,337)</u>	<u>3,275,303</u>	<u>(157,499,373)</u>
Total capital assets being depreciated, net.....	<u>151,320,715</u>	<u>(3,494,985)</u>	<u>-</u>	<u>147,825,730</u>
Total governmental activities capital assets, net.....	<u>\$ 185,631,674</u>	<u>\$ 9,446,572</u>	<u>\$ (511,530)</u>	<u>\$ 194,566,716</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	3,861,620	329,577	(1,138,373)	3,052,824
Total capital assets not being depreciated.....	4,127,637	329,577	(1,138,373)	3,318,841
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,321,914	-	-	1,321,914
Machinery and equipment.....	3,248,975	327,272	(22,199)	3,554,048
Land improvements.....	883,276	-	-	883,276
Infrastructure.....	82,962,094	3,056,536	-	86,018,630
Vehicles.....	397,414	-	-	397,414
Total capital assets being depreciated.....	88,813,673	3,383,808	(22,199)	92,175,282
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(40,000)	-	-	(40,000)
Machinery and equipment.....	(1,357,437)	(149,428)	22,199	(1,484,666)
Land improvements.....	(220,881)	(76,411)	-	(297,292)
Infrastructure.....	(55,222,988)	(1,600,872)	-	(56,823,860)
Vehicles.....	(218,869)	(44,448)	-	(263,317)
Total accumulated depreciation.....	(57,060,175)	(1,871,159)	22,199	(58,909,135)
Total capital assets being depreciated, net.....	31,753,498	1,512,649	-	33,266,147
Total water activities capital assets, net.....	\$ 35,881,135	\$ 1,842,226	\$ (1,138,373)	\$ 36,584,988
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	116,500	42,422	(116,500)	42,422
Total capital assets not being depreciated.....	231,630	42,422	(116,500)	157,552
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,321,820	-	-	1,321,820
Machinery and equipment.....	1,168,123	-	-	1,168,123
Infrastructure.....	53,204,459	-	-	53,204,459
Vehicles.....	353,163	-	-	353,163
Total capital assets being depreciated.....	56,047,565	-	-	56,047,565
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(1,163,192)	(32,030)	-	(1,195,222)
Machinery and equipment.....	(524,308)	(43,509)	-	(567,817)
Infrastructure.....	(19,853,755)	(1,042,874)	-	(20,896,629)
Vehicles.....	(199,685)	(32,777)	-	(232,462)
Total accumulated depreciation.....	(21,740,940)	(1,151,190)	-	(22,892,130)
Total capital assets being depreciated, net.....	34,306,625	(1,151,190)	-	33,155,435
Total sewer activities capital assets, net.....	\$ 34,538,255	\$ (1,108,768)	\$ (116,500)	\$ 33,312,987

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

<b>Governmental Activities:</b>	
General government.....	\$ 576,591
Public safety.....	846,297
Education.....	4,678,952
Municipal services.....	2,133,184
Community services.....	290,383
Library.....	<u>286,930</u>
Total depreciation expense - governmental activities.....	<u>\$ 8,812,337</u>
 <b>Business-Type Activities:</b>	
Water.....	\$ 1,871,159
Sewer.....	<u>1,151,190</u>
Total depreciation expense - business-type activities.....	<u>\$ 3,022,349</u>

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

At June 30, 2018, the Town had an interfund receivable/payable of \$6,460 between the general fund and the highway construction fund to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2018, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ 5,532,875	\$ 5,532,875 (1)
Nonmajor governmental funds.....	<u>517,654</u>	<u>281,000</u>	<u>798,654 (2)</u>
Total.....	<u>\$ 517,654</u>	<u>\$ 5,813,875</u>	<u>\$ 6,331,529</u>

- (1) Transfers from the general fund to capital project funds for current year capital articles.
- (2) Transfers to the general fund from other available funds as well as transfers between nonmajor governmental funds.

**NOTE 6 – CAPITAL LEASES**

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

<u>Asset:</u>	Governmental Activities
Machinery and equipment.....	\$ 432,672
Less: accumulated depreciation.....	(43,267)
Total.....	\$ 389,405

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Years ending June 30:</u>	Governmental Activities
2019.....	\$ 93,204
2020.....	93,205
2021.....	46,602
Total minimum lease payments.....	233,011
Less: amounts representing interest.....	(10,196)
Present value of minimum lease payments.....	\$ 222,815

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2018, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
<b>Governmental Funds:</b>							
BAN	Bond anticipation note.....	1.75%	12/15/17	\$ 1,575,000	\$ -	\$ (1,575,000)	\$ -
BAN	Bond anticipation note.....	2.00%	11/16/18	-	6,150,000	(6,150,000)	-
Total Governmental Funds.....				\$ 1,575,000	\$ 6,150,000	\$ (7,725,000)	\$ -
<b>Enterprise Funds:</b>							
<i>Water Enterprise Fund</i>							
BAN	Bond anticipation note.....	1.75%	12/15/17	\$ 1,555,000	\$ -	\$ (1,555,000)	\$ -
BAN	Bond anticipation note.....	2.00%	11/16/18	-	1,550,000	(1,390,000)	160,000
<i>Sewer Enterprise Fund</i>							
BAN	Bond anticipation note.....	2.00%	11/16/18	-	300,000	(300,000)	-
Total Enterprise Fund.....				\$ 1,555,000	\$ 1,850,000	\$ (3,245,000)	\$ 160,000

(1) On the scheduled due date of November 16, 2018, \$7,840,000 of BANS were permanently financed through the issuance of long-term debt and accordingly have been presented as long-term debt. The remaining \$160,000 was paid down on the scheduled due date.

**NOTE 8 - LONG-TERM DEBT**

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

Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Public safety.....	2029	\$ 7,681,300	2.00 - 5.00	\$ 2,491,500
School projects.....	2038	66,227,900	2.00 - 5.00	47,005,800
Municipal services.....	2048	30,038,350	2.00 - 5.00	20,161,148
Land acquisition.....	2034	7,062,100	3.00 - 5.00	3,845,251
Culture and recreation.....	2034	2,598,650	2.00 - 5.00	1,843,650
2018 BANS permanently financed in 2019.....	2048	6,150,000	4.00 - 5.00	6,150,000
Total Bonds Payable.....				81,497,349
Add: Unamortized premium on bonds.....				3,462,943
Total Bonds Payable, net.....				\$ 84,960,292

- (1) Debt issued to finance Town capital expenditures.
- (2) Debt issued to finance Town capital expenditures with the exception of \$2.1 million of landfill closure.

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

Year	Principal	Interest	Total
2019.....	\$ 6,901,604	\$ 2,965,150	\$ 9,866,754
2020.....	6,754,124	2,504,044	9,258,168
2021.....	6,524,757	2,239,706	8,764,463
2022.....	6,075,603	1,990,210	8,065,813
2023.....	5,451,064	1,757,192	7,208,256
2024.....	5,041,739	1,545,005	6,586,744
2025.....	4,967,680	1,337,618	6,305,298
2026.....	4,793,134	1,131,528	5,924,662
2027.....	4,512,854	966,232	5,479,086
2028.....	4,129,590	820,517	4,950,107
2029.....	3,570,341	702,354	4,272,695
2030.....	3,256,110	597,152	3,853,262
2031.....	3,016,894	499,540	3,516,434
2032.....	2,862,696	410,699	3,273,395
2033.....	2,598,516	329,514	2,928,030
2034.....	1,854,353	247,107	2,101,460
2035.....	740,208	185,495	925,703
2036.....	671,082	168,638	839,720
2037.....	650,000	154,557	804,557
2038.....	620,000	140,444	760,444
2039.....	550,000	128,094	678,094
2040.....	575,000	116,638	691,638
2041.....	595,000	104,775	699,775
2042.....	610,000	92,587	702,587
2043.....	635,000	79,994	714,994
2044.....	660,000	66,657	726,657
2045.....	680,000	52,650	732,650
2046.....	705,000	38,222	743,222
2047.....	735,000	23,288	758,288
2048.....	760,000	7,847	767,847
Total.....	\$ <u>81,497,349</u>	\$ <u>21,403,449</u>	\$ <u>102,900,798</u>

**Bonds Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Sewer projects.....	2033	\$ 936,650	1.30 - 5.00	\$ 13,510,350 (1)
Water projects.....	2034	276,800	2.00 - 5.00	14,396,725 (1)
2018 Sewer BANs permanently financed in 2019.....	2029	300,000	4.00-5.00	300,000 (1)
2018 Water BANs permanently financed in 2019.....	2039	1,390,000	4.00-5.00	<u>1,390,000 (1)</u>
Total Bonds Payable.....				29,597,075
Add: Unamortized premium on bonds.....				<u>879,919</u>
Total Bonds Payable, net.....				<u>\$ 30,476,994</u>

(1) Debt issued to finance Town capital expenditures.

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

Year	Principal	Interest	Total
2019.....	\$ 3,402,258	\$ 985,595	\$ 4,387,853
2020.....	3,535,819	810,992	4,346,811
2021.....	3,516,391	690,204	4,206,595
2022.....	3,431,876	574,023	4,005,899
2023.....	2,942,876	467,044	3,409,920
2024.....	2,703,792	375,693	3,079,485
2025.....	2,169,579	291,546	2,461,125
2026.....	1,840,987	216,989	2,057,976
2027.....	1,843,268	152,808	1,996,076
2028.....	1,097,238	102,461	1,199,699
2029.....	697,991	74,935	772,926
2030.....	505,000	55,785	560,785
2031.....	505,000	42,335	547,335
2032.....	480,000	28,831	508,831
2033.....	460,000	16,271	476,271
2034.....	<u>465,000</u>	<u>5,800</u>	<u>470,800</u>
Total.....	\$ <u>29,597,075</u>	\$ <u>4,891,313</u>	\$ <u>34,488,388</u>

The Commonwealth has approved school construction assistance for the Bancroft elementary school. The assistance program is administered by the Massachusetts School Building Authority (MSBA) and under the program, the assistance is paid to support construction costs and reduce the total debt service of the Town. The project was closed out in 2018 and the Town received a final reimbursement of \$1,239,504 in 2019, which has been reported as an intergovernmental receivable as of June 30, 2018. The Town received total reimbursements of \$15.8 million from the MSBA to fund the project, which is equal to 44% of the approved construction costs submitted for reimbursement.

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, 2018, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 1,200,000
Landfill.....	6,695,000
Technology.....	550,000
Public works.....	1,960,000
Public safety.....	1,670,000
School projects.....	18,245,553
Town building and remodeling.....	10,120,000
Sewer projects.....	2,550,000
Water projects.....	12,560,000
<b>Total.....</b>	<b>\$ 55,550,553</b>

Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance (As Revised)	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 69,392,147	\$ 18,743,100	\$ (6,637,898)	\$ -	\$ -	\$ 81,497,349	\$ 6,901,604
Add: Unamortized premium on bonds...	3,605,140	430,123	(572,320)	-	-	3,462,943	531,703
Total bonds payable.....	72,997,287	19,173,223	(7,210,218)	-	-	84,960,292	7,433,307
Capital lease obligations.....	-	-	-	432,672	(209,857)	222,815	89,883
Landfill closure.....	14,790,000	-	-	950,000	(200,000)	15,540,000	280,000
Compensated absences.....	4,683,000	-	-	387,000	(1,281,000)	3,789,000	789,000
Workers' compensation.....	210,000	-	-	441,000	(21,000)	630,000	417,000
Net pension liability.....	157,166,018	-	-	30,931,184	(32,822,080)	155,275,122	-
Net other postemployment benefits liability.....	119,813,973	-	-	22,489,848	(6,708,183)	135,595,638	-
Total governmental activity long-term liabilities, as revised.....	<u>\$ 369,660,278</u>	<u>\$ 19,173,223</u>	<u>\$ (7,210,218)</u>	<u>\$ 55,631,704</u>	<u>\$ (41,242,120)</u>	<u>\$ 396,012,867</u>	<u>\$ 9,009,190</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	\$ 28,500,179	\$ 4,296,900	\$ (3,200,004)	\$ -	\$ -	\$ 29,597,075	\$ 3,402,258
Add: Unamortized premium on bonds...	866,062	204,073	(190,216)	-	-	879,919	174,819
Total bonds payable.....	29,366,241	4,500,973	(3,390,220)	-	-	30,476,994	3,577,077
Due to other governments.....	-	-	-	812,928	-	812,928	92,524
Compensated absences.....	370,000	-	-	31,000	(79,000)	322,000	43,000
Net pension liability.....	6,508,211	-	-	1,117,447	(1,381,982)	6,243,676	-
Net other postemployment benefits liability.....	8,935,192	-	-	1,677,192	(500,266)	10,112,118	-
Total business-type activity long-term liabilities, as revised.....	<u>\$ 45,179,644</u>	<u>\$ 4,500,973</u>	<u>\$ (3,390,220)</u>	<u>\$ 3,638,567</u>	<u>\$ (1,961,248)</u>	<u>\$ 47,967,716</u>	<u>\$ 3,712,601</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 totaling \$630,000 for workers' compensation. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- 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.

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balance of the general stabilization fund totaled \$6,234,029 and is reported as unassigned fund balance within the General Fund. The Town also has additional stabilization funds for elder services, and debt service which totaled \$710,329, and \$1,156,377, respectively. These stabilization funds have been reported as components of committed fund balance.

As of June 30, 2018, the governmental fund balances consisted of the following:

	General	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Cemetery.....	\$ -	\$ -	\$ 1,315,354	\$ 1,315,354
Restricted for:				
School projects.....	-	1,039,194	-	1,039,194
Town grants/other revolving.....	-	-	3,498,692	3,498,692
School grants/other revolving.....	-	-	2,911,588	2,911,588
School lunch.....	-	-	189,313	189,313
Road/drainage projects.....	-	-	1,198,407	1,198,407
Ledge road landfill.....	-	-	2,292,259	2,292,259
Conservation.....	-	-	4,186	4,186
Municipal buildings.....	-	-	3,683,811	3,683,811
Other capital projects.....	-	-	7,162,373	7,162,373
Cemetery.....	-	-	306,879	306,879
Library.....	-	-	120,428	120,428
Town welfare/other.....	-	-	200,740	200,740
Debt service.....	608,191	-	-	608,191
Committed to:				
Continuing appropriations:				
General government.....	51,727	-	-	51,727
Community services.....	16,192	-	-	16,192
Elder services stabilization.....	710,329	-	-	710,329
Debt service stabilization.....	1,156,377	-	-	1,156,377
Assigned to:				
Encumbrances:				
General government.....	247,017	-	-	247,017
Public safety.....	110,485	-	-	110,485
Education.....	311,054	-	-	311,054
Municipal services.....	625,353	-	-	625,353
Community services.....	15,688	-	-	15,688
Library.....	14,090	-	-	14,090
Property and liability insurance.....	2,742	-	-	2,742
Free cash used for subsequent year budget.....	14,000	-	-	14,000
Unassigned.....	17,887,242	-	(266,464)	17,620,778
Total Fund Balances.....	\$ 21,770,487	\$ 1,039,194	\$ 22,617,566	\$ 45,427,247

**NOTE 10 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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

The liability at June 30, 2018 totaled \$1,884,000. Changes in the reported liability since July 1, 2016, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2017.....	\$ 1,684,000	\$ 23,512,000	\$ (23,268,000)	\$ 1,928,000
2018.....	1,928,000	25,462,998	(25,506,998)	1,884,000

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

At June 30, 2018, the amount of the liability for workers' compensation claims totaled \$630,000. Changes in the reported liability since July 1, 2016 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2017.....	\$ 405,000	\$ 68,000	\$ (263,000)	\$ 210,000	\$ 21,000
2018.....	210,000	631,697	(211,697)	630,000	417,000

**NOTE 11 – PENSION PLAN**

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

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

*Special Funding Situation* – The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer’s covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2017. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$17,596,166 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth’s collective net pension liability associated with the Town is \$168,589,392 as of the measurement date.

*Benefits Provided* – Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are no reported changes in pension benefits as of December 31, 2017.

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2017, the ACRS membership consists of the following:

Active members.....	728
Inactive members.....	119
Disabled members.....	42
Retirees and beneficiaries currently receiving benefits.....	<u>428</u>
 Total.....	 <u><u>1,317</u></u>

*Contributions* – Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units’ contribution for the year ended December 31, 2017 was \$9,517,477, or 24.51% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town’s proportionate share of the required contribution was \$9,428,488, and the Town’s actual contribution was \$9,449,449.

*Pension Liabilities* – The components of the net pension liability of the participating member units at June 30, 2018 were as follows:

Total pension liability.....	\$	306,742,441
Total pension plan's fiduciary net position.....		<u>(143,771,762)</u>
Total net pension liability.....	\$	<u><u>162,970,679</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		46.87%

At June 30, 2018, the Town reported a liability of \$161,518,798 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on the Town's proportion of the actuarial accrued liability relative to the proportion of the actuarial accrued liability attributable to all participating members. At December 31, 2017, the Town's proportion was 99.11%, a decrease of 0.12% from the proportion measured at December 31, 2016.

*Pension Expense* – For the year ended June 30, 2018, the Town recognized pension expense of \$20,899,594. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$30,124,046, and also reported deferred inflows of resources related to pensions of \$11,517,556. The balances of deferred outflows and inflows at June 30, 2018 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 4,584,510	\$ (1,696,802)	\$ 2,887,708
Difference between projected and actual earnings.....	-	(8,176,932)	(8,176,932)
Changes in assumptions.....	24,032,953	-	24,032,953
Changes in proportion and proportionate share of contributions.....	<u>1,506,583</u>	<u>(1,643,822)</u>	<u>(137,239)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u><u>30,124,046</u></u>	\$ <u><u>(11,517,556)</u></u>	\$ <u><u>18,606,490</u></u>

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

Year ended June 30:

2019.....	\$	6,910,707
2020.....		6,851,003
2021.....		5,283,773
2022.....		(1,557,709)
2023.....		<u>1,118,716</u>
Total.....	\$	<u><u>18,606,490</u></u>

*Actuarial Assumptions* - The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2017:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Inflation rate.....	3.50%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3% of the first \$12,000 of retirement income.
Mortality Rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.
Investment rate of return/Discount rate.....	6.25%, net of pension plan investment expense, including inflation for the measurement periods ending 12/31/17 and 12/31/16.

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

The long-term expected rate of return on pension plan investments was selected by the Town. This rate is within a reasonable range for a 10-year expected return calculated using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation less investment expense and a risk factor. The System’s expected future real rate of return is added to the expected inflation rate to produce the long-term nominal expected rate of return. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	37.00%	5.63%
International developed markets equity.....	10.00%	6.59%
International emerging markets equity.....	6.00%	8.90%
Core fixed income.....	10.00%	1.17%
High-yield fixed income.....	10.00%	3.62%
Real estate.....	13.00%	4.39%
Commodities.....	2.00%	4.19%
Hedge fund GTAA, Risk parity.....	6.50%	3.43%
Private equity.....	5.50%	9.76%
Total.....	<u>100.00%</u>	

*Rate of return* – For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate* – The discount rate used to measure the total pension liability was 6.25% for financial reporting, for the measurement periods ending December 31, 2017, and December 31, 2016. The discount rate used to determine the annual required contribution was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.25%)	Current Discount (6.25%)	1% Increase (7.25%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Town's proportionate share of the net pension liability.....	\$ 199,296,316	\$ 161,518,798	\$ 129,842,106
ACRS total net pension liability.....	\$ 201,087,777	\$ 162,970,679	\$ 131,009,248

*Changes of Assumptions* – The following changes of assumptions are effective for the January 1, 2018 actuarial valuation:

- The mortality assumption for non-disabled participants was updated from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally from 2009 with Scale BB2D to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participants projected generationally with Scale MP-2017.
- The mortality assumption for disabled participants was updated from the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.

*Changes in Plan Provisions* – None.

**NOTE 12 – 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 \$15,540,000 as the estimate of the landfill closure liability at June 30, 2018, 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 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Andover administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare insurance and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

*Funding Policy* – The contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2018, the Town’s average contribution rate was 6.9% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2018, the town pre-funded future OPEB liabilities totaling \$1,648,721 by contributing funds to the OPEB Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the net position of the OPEB trust fund totaled \$9,953,082. The Town implemented a plan to begin funding OPEB in 2017, the plan consisted of contributing 0.4% in the initial year with payments increasing 2.5% per year in subsequent years and appropriating the incremental annual savings in the health insurance budget in accordance with the Board of Selectmen vote on April 5, 2016, to implement a comprehensive OPEB reform plan. The Town has not formally adopted a policy of pre-funding future OPEB liabilities.

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

*Employees Covered by Benefit Terms* – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	1,357
Retired, Disabled, Survivors and Beneficiaries receiving benefits.....	598
Inactive members currently receiving benefits.....	<u>26</u>
 Total.....	 <u><u>1,981</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2018:

Total OPEB liability.....	\$	155,660,838
Less: OPEB plan's fiduciary net position.....		<u>(9,953,082)</u>
Net OPEB liability.....	\$	<u>145,707,756</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		6.39%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2018, to be in accordance with GASB Statement #74 and GASB Statement #75:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables
Discount rate.....	5.36% per year, net of investment expense as of June 30, 2018 and 5.44% as of June 30, 2017.
Projected salary increases.....	3.00% per year and 2.75% CPI-U
Mortality rates.....	Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.  Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.  Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

*Rate of Return* – For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments was 7.21%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and by subtracting expected investment expenses and a risk margin. Best estimates of arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018, are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
U.S. Large cap equity.....	42.12%	3.52%
U.S. Aggregate bonds.....	15.55%	0.78%
International equity.....	11.04%	5.22%
U.S. short duration government/credit.....	10.50%	0.78%
60% U.S. large cap equity & 40% U.S. aggregate bonds.....	7.00%	2.42%
U.S. high yield bonds.....	5.00%	2.15%
U.S TIPS.....	3.40%	0.49%
Emerging markets equity.....	2.42%	6.70%
U.S. mid cap equity.....	2.14%	4.99%
U.S. small cap equity.....	0.83%	4.50%
Total.....	100.00%	

*Discount rate* – The discount rate used to measure the total OPEB liability was 5.36% as of June 30, 2018 and 5.44% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to the first 42 periods of projected future benefits payments and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the Bond Buyer 20 Bond Index (3.87%) as of June 30, 2018, was applied to all periods thereafter.

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	Net OPEB Liability (a) - (b)
		Fiduciary Net Position (b)	
Balances at June 30, 2017.....	\$ 136,417,441	\$ 7,668,276	\$ 128,749,165
Changes for the year:			
Service cost.....	4,186,467	-	4,186,467
Interest.....	7,514,930	-	7,514,930
Differences between expected and actual experience.....	10,865,917	-	10,865,917
Changes in assumptions and other inputs.....	1,599,726	-	1,599,726
Benefit payments.....	(4,923,643)	(4,923,643)	-
Employer contributions.....	-	1,648,721	(1,648,721)
Employer contributions for OPEB payments.....	-	4,923,643	(4,923,643)
Net investment income.....	-	636,085	(636,085)
Net change.....	19,243,397	2,284,806	16,958,591
Balances at June 30, 2018.....	\$ 155,660,838	\$ 9,953,082	\$ 145,707,756

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 5.36%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (4.36%) or 1-percentage-point higher (6.36%) than the current rate.

	1% Decrease (4.36%)	Current Discount Rate (5.36%)	1% Increase (6.36%)
Net OPEB liability..... \$	169,542,117	145,707,756	126,439,324

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability..... \$	122,672,703	145,707,756	175,036,517

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2018, the Town recognized OPEB expense of \$13,446,603. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	8,911,615	-	8,911,615
Changes in assumptions.....	1,312,005	-	1,312,005
Difference between projected and actual earnings.....	-	(139,268)	(139,268)
Total deferred outflows/(inflows) of resources..... \$	10,223,620	(139,268)	10,084,352

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

Measurement date year ended June 30:

2019..... \$	2,207,205
2020.....	2,207,205
2021.....	2,207,205
2022.....	2,207,205
2023.....	1,255,532
Total..... \$	10,084,352

*Changes of Assumptions* – The discount rate was changed from from 5.44% to 5.36%.

*Changes in Plan Provisions* – None.

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

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

	Pension Trust Fund (as of December 31, 2017)	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,043,400	\$ -	\$ 1,043,400
Investments:			
Investments in Pension Reserve Investment Trust.....	142,733,301	-	142,733,301
Mutual funds.....	-	9,953,082	9,953,082
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	5,169	-	5,169
<b>TOTAL ASSETS.....</b>	<b>143,781,870</b>	<b>9,953,082</b>	<b>153,734,952</b>
<b>LIABILITIES</b>			
Warrants payable.....	10,108	-	10,108
<b>NET POSITION</b>			
Restricted for pensions.....	143,771,762	-	143,771,762
Restricted for other postemployment benefits.....	-	9,953,082	9,953,082
<b>TOTAL NET POSITION.....</b>	<b>\$ 143,771,762</b>	<b>\$ 9,953,082</b>	<b>\$ 153,724,844</b>
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 9,517,477	\$ 1,648,721	\$ 11,166,198
Employer contributions for other postemployment benefit payments.....	-	4,923,643	4,923,643
Member contributions.....	3,853,001	-	3,853,001
Transfers from other systems.....	552,778	-	552,778
State COLA reimbursements.....	34,550	-	34,550
Total contributions.....	13,957,806	6,572,364	20,530,170
Net investment income:			
Investment income.....	21,811,184	636,085	22,447,269
Less: investment expense.....	(632,104)	-	(632,104)
Net investment income (loss).....	21,179,080	636,085	21,815,165
<b>TOTAL ADDITIONS.....</b>	<b>35,136,886</b>	<b>7,208,449</b>	<b>42,345,335</b>
<b>DEDUCTIONS:</b>			
Administration.....	267,297	-	267,297
Transfers to other systems.....	736,478	-	736,478
Retirement benefits and refunds.....	13,919,561	-	13,919,561
Other postemployment benefit payments.....	-	4,923,643	4,923,643
<b>TOTAL DEDUCTIONS.....</b>	<b>14,923,336</b>	<b>4,923,643</b>	<b>19,846,979</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>20,213,550</b>	<b>2,284,806</b>	<b>22,498,356</b>
NET POSITION AT BEGINNING OF YEAR.....	123,558,212	7,668,276	131,226,488
NET POSITION AT END OF YEAR.....	\$ 143,771,762	\$ 9,953,082	\$ 153,724,844

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2018, 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The Town has entered into or is planning to enter into contracts totaling \$10,120,000 for construction and renovation of Town buildings.

The Town has entered into or is planning to enter into contracts totaling \$15,110,000 for water and sewer infrastructure projects.

**NOTE 16 – TAX INCREMENT FINANCING AGREEMENTS**

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

For the fiscal year ended June 30, 2018, the Town exempted property taxes totaling \$1,918,735 under this program.

**NOTE 17 – DUE TO OTHER GOVERNMENTS**

On June 4, 2018, the Town entered into an intermunicipal agreement with the Town of North Reading, as approved by Massachusetts Session Laws, Chapter 109 of the Acts of 2018, whereas the Town of Andover has agreed to supply and sell potable water to the Town of North Reading and the Town of North Reading agreed to receive and pay for potable water from the Town of Andover for a term of 99 years. Additionally, the Town of Andover agreed to reimburse the Town of North Reading's for \$953,000 of costs already incurred to join the Massachusetts Water Resources Authority (MWRA). The reimbursement will be applied as credits to the Town of North Reading's water usage costs over the next 10 years. The discounted future cash flows related to these reimbursements totaling \$812,928 has been reported as a liability - due to other governments and intermunicipal agreement expense in the water enterprise fund as of June 30, 2018.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 7, 2019, which is the date the financial statements were available to be issued.

**NOTE 19 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of governmental activities, business-type activities and each applicable enterprise fund has been revised to reflect the implementation of GASB Statement #75. The revised balances are summarized in the following table:

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ (59,634,111)	\$ (43,713,973)	\$ (103,348,084)
Business-type activities.....	<u>58,213,733</u>	<u>(7,938,192)</u>	<u>50,275,541</u>
Total.....	<u>\$ (1,420,378)</u>	<u>\$ (51,652,165)</u>	<u>\$ (53,072,543)</u>
<b>Business-type Activities - Enterprise Funds</b>			
Water enterprise fund.....	\$ 27,768,096	\$ (6,564,827)	\$ 21,203,269
Sewer enterprise fund.....	<u>30,445,637</u>	<u>(1,373,365)</u>	<u>29,072,272</u>
Total.....	<u>\$ 58,213,733</u>	<u>\$ (7,938,192)</u>	<u>\$ 50,275,541</u>

**NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.

- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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

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# ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary 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.....	\$ 138,761,095	\$ 138,761,095	\$ 137,675,303	\$ -	\$ (1,085,792)
Tax liens.....	-	-	138,466	-	138,466
Motor vehicle and other excise taxes.....	5,103,600	5,103,600	5,836,628	-	733,028
Hotel/motel tax.....	1,570,000	1,570,000	1,995,058	-	425,058
Meals tax.....	537,000	537,000	621,317	-	84,317
Penalties and interest on taxes.....	415,000	415,000	337,580	-	(77,420)
Licenses and permits.....	2,449,000	2,449,000	3,062,433	-	613,433
Intergovernmental.....	12,518,529	12,518,529	12,558,957	-	40,428
Departmental and other.....	3,138,730	3,138,730	3,476,776	-	338,046
Investment income.....	75,000	75,000	387,286	-	312,286
<b>TOTAL REVENUES.....</b>	<b>164,567,954</b>	<b>164,567,954</b>	<b>166,089,804</b>	<b>-</b>	<b>1,521,850</b>
<b>EXPENDITURES:</b>					
Current:					
General government:					
Personal Services.....	5,784,211	5,970,307	5,893,720	73,729	2,858
Other expenses.....	2,234,818	2,297,988	2,066,950	225,015	6,023
<b>TOTAL.....</b>	<b>8,019,029</b>	<b>8,268,295</b>	<b>7,960,670</b>	<b>298,744</b>	<b>8,881</b>
Public safety.....					
Personal services.....	14,479,124	15,979,749	15,666,595	23,990	289,164
Other expenses.....	1,770,508	1,766,236	1,532,931	86,495	146,810
<b>TOTAL.....</b>	<b>16,249,632</b>	<b>17,745,985</b>	<b>17,199,526</b>	<b>110,485</b>	<b>435,974</b>
Education.....					
Technical schools.....	610,000	610,000	581,967	-	28,033
School department.....	79,757,376	79,757,392	79,446,338	311,054	-
<b>TOTAL.....</b>	<b>80,367,376</b>	<b>80,367,392</b>	<b>80,028,305</b>	<b>311,054</b>	<b>28,033</b>
Municipal services.....					
Personal Services.....	5,531,323	5,795,252	5,715,749	11,086	68,417
Other expenses.....	6,880,339	8,072,833	6,478,865	614,267	979,701
<b>TOTAL.....</b>	<b>12,411,662</b>	<b>13,868,085</b>	<b>12,194,614</b>	<b>625,353</b>	<b>1,048,118</b>
Community Services.....					
Personal services.....	1,622,941	1,683,731	1,663,027	1,151	19,553
Other expenses.....	658,808	672,079	601,683	30,729	39,667
<b>TOTAL.....</b>	<b>2,281,749</b>	<b>2,355,810</b>	<b>2,264,710</b>	<b>31,880</b>	<b>59,220</b>

(continued)

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Library.....					
Personal services.....	2,014,219	2,079,969	2,045,743	11,269	22,957
Other expenses.....	<u>668,823</u>	<u>668,823</u>	<u>648,455</u>	<u>2,821</u>	<u>17,547</u>
TOTAL.....	2,683,042	2,748,792	2,694,198	14,090	40,504
Unclassified.....					
Compensation fund.....	1,140,000	56,815	-	-	56,815
Reserve fund.....	<u>200,000</u>	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
TOTAL.....	1,340,000	226,815	-	-	226,815
Pension benefits.....	9,428,488	9,428,488	9,428,488	-	-
Property and liability insurance.....	887,309	887,309	884,567	2,742	-
Employee benefits.....	20,695,434	20,695,434	20,695,434	-	-
State and county charges.....	578,742	578,742	680,010	-	(101,268)
Debt service:					
Principal.....	6,637,898	6,637,898	6,637,898	-	-
Interest.....	<u>2,362,400</u>	<u>2,362,400</u>	<u>2,361,998</u>	<u>-</u>	<u>402</u>
TOTAL.....	9,000,298	9,000,298	8,999,896	-	402
TOTAL EXPENDITURES.....	<u>163,942,761</u>	<u>166,171,445</u>	<u>163,030,418</u>	<u>1,394,348</u>	<u>1,746,679</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>625,193</u>	<u>(1,603,491)</u>	<u>3,059,386</u>	<u>(1,394,348)</u>	<u>3,268,529</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Transfers in.....	2,249,296	2,249,296	2,249,296	-	-
Transfers out.....	<u>(4,267,875)</u>	<u>(5,767,875)</u>	<u>(5,767,875)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES).....	<u>(2,018,579)</u>	<u>(3,518,579)</u>	<u>(3,518,579)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE.....	(1,393,386)	(5,122,070)	(459,193)	(1,394,348)	3,268,529
BUDGETARY FUND BALANCE, Beginning of year.....	<u>13,821,820</u>	<u>13,821,820</u>	<u>13,821,820</u>	<u>-</u>	<u>-</u>
BUDGETARY FUND BALANCE, End of year.....	\$ <u>12,428,434</u>	\$ <u>8,699,750</u>	\$ <u>13,362,627</u>	\$ <u>(1,394,348)</u>	\$ <u>3,268,529</u>

See notes to required supplementary information.

(Concluded)

# ***Pension Plan Schedules – Retirement System***

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
<b>Total pension liability:</b>				
Service cost.....	\$ 4,830,379	\$ 5,031,130	\$ 7,081,423	\$ 7,340,269
Interest.....	16,502,651	17,252,209	17,341,752	18,050,660
Differences between expected and actual experience.....	-	(3,424,106)	-	5,550,864
Changes in assumptions.....	-	46,223,459	-	1,364,706
Benefit payments.....	<u>(11,786,173)</u>	<u>(11,937,955)</u>	<u>(12,610,258)</u>	<u>(14,068,711)</u>
Net change in total pension liability.....	9,546,857	53,144,737	11,812,917	18,237,788
Total pension liability - beginning.....	<u>214,000,142</u>	<u>223,546,999</u>	<u>276,691,736</u>	<u>288,504,653</u>
Total pension liability - ending (a).....	<u>\$ 223,546,999</u>	<u>\$ 276,691,736</u>	<u>\$ 288,504,653</u>	<u>\$ 306,742,441</u>
<b>Plan fiduciary net position:</b>				
Employer contributions.....	\$ 6,281,397	\$ 8,007,778	\$ 8,665,124	\$ 9,517,477
Member contributions.....	3,511,255	3,659,016	3,785,282	3,853,001
Net investment income (loss).....	8,085,611	999,647	8,351,875	21,179,080
Administrative expenses.....	(240,330)	(262,001)	(286,066)	(267,297)
Retirement benefits and refunds.....	<u>(11,786,173)</u>	<u>(11,937,955)</u>	<u>(12,610,258)</u>	<u>(14,068,711)</u>
Net increase (decrease) in fiduciary net position.....	5,851,760	466,485	7,905,957	20,213,550
Fiduciary net position - beginning of year.....	<u>109,334,010</u>	<u>115,185,770</u>	<u>115,652,255</u>	<u>123,558,212</u>
Fiduciary net position - end of year (b).....	<u>\$ 115,185,770</u>	<u>\$ 115,652,255</u>	<u>\$ 123,558,212</u>	<u>\$ 143,771,762</u>
<b>Net pension liability - ending (a)-(b).....</b>	<u>\$ 108,361,229</u>	<u>\$ 161,039,481</u>	<u>\$ 164,946,441</u>	<u>\$ 162,970,679</u>
Plan fiduciary net position as a percentage of the total pension liability.....	51.53%	41.80%	42.83%	46.87%
Covered payroll.....	\$ 36,488,870	\$ 36,946,467	\$ 38,583,218	\$ 38,828,166
Net pension liability as a percentage of covered payroll.....	296.97%	435.87%	427.51%	419.72%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**

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Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2017.....	\$ 9,513,240	\$ (9,517,477)	\$ (4,237)	\$ 38,828,166	24.51%
December 31, 2016.....	8,648,400	(8,665,124)	(16,724)	38,583,218	22.46%
December 31, 2015.....	8,007,778	(8,007,778)	-	36,946,467	21.67%
December 31, 2014.....	6,281,397	(6,281,397)	-	36,488,870	17.21%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**

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

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

See notes to required supplementary information.

# ***Pension Plan Schedules – Town***

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

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

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

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2017.....	99.11%	\$ 161,518,798	\$ 38,327,526	421.42%	46.87%
December 31, 2016.....	99.23%	163,674,229	38,195,809	428.51%	42.83%
December 31, 2015.....	99.23%	159,797,403	36,575,628	436.90%	41.80%
December 31, 2014.....	99.24%	107,541,748	36,036,778	298.42%	51.53%

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

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2018.....	\$ 9,428,488	\$ (9,449,449)	\$ (20,961)	\$ 39,094,077	24.17%
June 30, 2017.....	8,581,696	(8,581,696)	-	38,959,725	22.03%
June 30, 2016.....	7,929,291	(7,929,291)	-	37,307,141	21.25%
June 30, 2015.....	6,207,276	(6,207,276)	-	36,757,514	16.89%

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2018.....	\$ 168,589,392	\$ 17,596,166	54.25%
2017.....	162,869,117	16,613,718	52.73%
2016.....	152,894,310	12,401,089	55.38%
2015.....	117,449,333	8,159,769	61.64%

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

See notes to required supplementary information.

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

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

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

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

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

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

	June 30, 2017	June 30, 2018
<b>Total OPEB Liability</b>		
Service Cost.....	\$ 5,605,421	\$ 4,186,467
Interest.....	9,299,269	7,514,930
Changes of benefit terms.....	(42,080,306)	-
Differences between expected and actual experience....	-	10,865,917
Changes of assumptions.....	(6,594,974)	1,599,726
Benefit payments.....	(4,647,800)	(4,923,643)
Net change in total OPEB liability.....	(38,418,390)	19,243,397
Total OPEB liability - beginning.....	174,835,831	136,417,441
Total OPEB liability - ending (a).....	\$ 136,417,441	\$ 155,660,838
<b>Plan fiduciary net position</b>		
Employer contributions.....	\$ 1,502,579	\$ 1,648,721
Employer contributions for OPEB payments.....	4,647,800	4,923,643
Net investment income.....	730,782	636,085
Benefit payments.....	(4,647,800)	(4,923,643)
Net change in plan fiduciary net position.....	2,233,361	2,284,806
Plan fiduciary net position - beginning of year.....	5,434,915	7,668,276
Plan fiduciary net position - end of year (b).....	\$ 7,668,276	\$ 9,953,082
<b>Net OPEB liability - ending (a)-(b).....</b>	<b>\$ 128,749,165</b>	<b>\$ 145,707,756</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	5.62%	6.39%
Covered-employee payroll.....	\$ 93,662,000	\$ 95,535,000
Net OPEB liability as a percentage of covered-employee payroll.....	137.46%	152.52%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2018.....	\$ 9,967,599	\$ (6,572,364)	\$ 3,395,235	\$ 95,535,000	6.88%
June 30, 2017.....	9,437,501	(6,150,379)	3,287,122	93,662,000	6.57%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2018.....	7.21%
June 30, 2017.....	12.10%

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

See notes to required supplementary information.

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

1. Budgetary Information

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

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

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

Generally, expenditures may not exceed the legal level of spending (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 2018 approved budget authorized approximately \$168.2 million in appropriations and other amounts to be raised. During 2018, Town Meeting also approved supplemental appropriations totaling \$3.7 million. The purpose of the supplemental appropriations was to fund capital project expenditures, snow and ice removal, and public safety salaries.

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

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2018, is presented below:

Net change in fund balance - budgetary basis.....	\$	(459,193)
<u>Perspective differences:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		(78,298)
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		356,703
Net change in recording tax refunds payable.....		50,000
Recognition of revenue for on-behalf payments.....		17,596,166
Recognition of expenditures for on-behalf payments.....		<u>(17,596,166)</u>
Net change in fund balance - GAAP basis.....	\$	<u>(130,788)</u>

### 3. Appropriation Deficits

During 2018, actual expenditures exceeded budgeted appropriations for state and county charges. State and County charges are directly deducted from local receipts provided by the state. This over-expenditure will be funded by the subsequent years' tax levy.

## **NOTE B – PENSION PLAN**

### ***Pension Plan Schedules – Retirement System***

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

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

#### B. Schedule of Contributions

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

#### C. Schedule of Investment Return

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

### ***Pension Plan Schedules – Town of Andover***

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

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

#### B. Schedule of the Town's Contributions

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

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

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

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

#### D. Changes of Assumptions

The mortality assumption for non-disabled participants was updated from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally from 2009 with Scale BB2D to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participants projected generationally with Scale MP-2017.

The mortality assumption for disabled participants was updated from the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.

#### E. Changes in Plan Provisions

None.

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

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

#### ***The Other Postemployment Benefit Plan***

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

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

**B. Schedule of the Town’s Contributions**

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

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables
Discount rate.....	5.36% per year, net of investment expense as of June 30, 2018 and 5.44% as of June 30, 2017.
Projected salary increases.....	3.00% per year and 2.75% CPI-U
Mortality rates.....	Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.  Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.  Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

**C. Schedule of Investment Returns**

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

**D. Changes of Assumptions**

The assumption change is due to the change in the discount rate from 5.44% to 5.36%. The discount rate change is not related to any change in the Town’s funding policy, but is due to the increase in the General Obligation Municipal Bond rate.

**E. Changes in Plan Provisions – None.**

# ***Combining and Individual Fund Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

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

*Town Grants/Other Revolving Funds* – This fund is used to account for the non-school related activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and grant funds received from state and federal governments which are designated for specific programs.

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

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

## ***Capital Projects Funds***

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

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

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

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

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

*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.

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**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2018

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Subtotal
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 1,129,057	\$ 2,314,178	\$ 225,934	\$ 3,669,169
Investments.....	2,516,293	-	-	2,516,293
Receivables, net of uncollectibles:				
Departmental and other.....	239,957	-	-	239,957
Intergovernmental - other.....	-	780,024	-	780,024
<b>TOTAL ASSETS.....</b>	<b>\$ 3,885,307</b>	<b>\$ 3,094,202</b>	<b>\$ 225,934</b>	<b>\$ 7,205,443</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 94,359	\$ 69,529	\$ 11,743	\$ 175,631
Accrued payroll.....	72,519	113,085	24,878	210,482
<b>TOTAL LIABILITIES.....</b>	<b>166,878</b>	<b>182,614</b>	<b>36,621</b>	<b>386,113</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	219,737	-	-	219,737
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	-	-
Restricted.....	3,498,692	2,911,588	189,313	6,599,593
Unassigned.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>3,498,692</b>	<b>2,911,588</b>	<b>189,313</b>	<b>6,599,593</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 3,885,307</b>	<b>\$ 3,094,202</b>	<b>\$ 225,934</b>	<b>\$ 7,205,443</b>

Capital Project Funds

Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	Other	Subtotal
\$ 1,253,682	\$ 2,296,309	\$ 4,186	\$ 5,197,471	\$ 6,980,416	\$ 15,732,064
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,253,682</u>	<u>\$ 2,296,309</u>	<u>\$ 4,186</u>	<u>\$ 5,197,471</u>	<u>\$ 6,980,416</u>	<u>\$ 15,732,064</u>
\$ 55,275	\$ 4,050	\$ -	\$ 1,513,660	\$ 81,425	\$ 1,654,410
-	-	-	-	3,082	3,082
<u>55,275</u>	<u>4,050</u>	<u>-</u>	<u>1,513,660</u>	<u>84,507</u>	<u>1,657,492</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,198,407	2,292,259	4,186	3,683,811	7,162,373	14,341,036
-	-	-	-	(266,464)	(266,464)
<u>1,198,407</u>	<u>2,292,259</u>	<u>4,186</u>	<u>3,683,811</u>	<u>6,895,909</u>	<u>14,074,572</u>
<u>\$ 1,253,682</u>	<u>\$ 2,296,309</u>	<u>\$ 4,186</u>	<u>\$ 5,197,471</u>	<u>\$ 6,980,416</u>	<u>\$ 15,732,064</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2018

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 1,232,740	\$ 471,253	\$ 241,542	\$ 1,945,535	\$ 21,346,768
Investments.....	-	-	-	-	2,516,293
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	239,957
Intergovernmental - other.....	-	-	-	-	780,024
<b>TOTAL ASSETS.....</b>	<b>\$ 1,232,740</b>	<b>\$ 471,253</b>	<b>\$ 241,542</b>	<b>\$ 1,945,535</b>	<b>\$ 24,883,042</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 2,134	\$ -	\$ -	\$ 2,134	\$ 1,832,175
Accrued payroll.....	-	-	-	-	213,564
<b>TOTAL LIABILITIES.....</b>	<b>2,134</b>	<b>-</b>	<b>-</b>	<b>2,134</b>	<b>2,045,739</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	-	-	-	-	219,737
<b>FUND BALANCES</b>					
Nonspendable.....	923,727	350,825	40,802	1,315,354	1,315,354
Restricted.....	306,879	120,428	200,740	628,047	21,568,676
Unassigned.....	-	-	-	-	(266,464)
<b>TOTAL FUND BALANCES.....</b>	<b>1,230,606</b>	<b>471,253</b>	<b>241,542</b>	<b>1,943,401</b>	<b>22,617,566</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 1,232,740</b>	<b>\$ 471,253</b>	<b>\$ 241,542</b>	<b>\$ 1,945,535</b>	<b>\$ 24,883,042</b>

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**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Subtotal
<b>REVENUES:</b>				
Charges for services.....	\$ 962,646	\$ -	\$ -	\$ 962,646
Intergovernmental.....	1,211,992	5,288,760	444,338	6,945,090
Departmental and other.....	3,522,176	2,891,474	1,962,071	8,375,721
Contributions and donations.....	275,946	71	-	276,017
Investment income.....	92,498	-	-	92,498
<b>TOTAL REVENUES.....</b>	<b>6,065,258</b>	<b>8,180,305</b>	<b>2,406,409</b>	<b>16,651,972</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	1,260,365	-	-	1,260,365
Public safety.....	1,844,210	-	-	1,844,210
Education.....	-	7,495,018	2,595,631	10,090,649
Public works.....	271,227	-	-	271,227
Health and human services.....	1,583,532	-	-	1,583,532
Library.....	78,214	-	-	78,214
Capital outlay.....	30,000	-	-	30,000
<b>TOTAL EXPENDITURES.....</b>	<b>5,067,548</b>	<b>7,495,018</b>	<b>2,595,631</b>	<b>15,158,197</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>997,710</b>	<b>685,287</b>	<b>(189,222)</b>	<b>1,493,775</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Issuance of bonds.....	-	-	-	-
Premium from issuance of bonds.....	-	-	-	-
Capital lease financing.....	-	-	-	-
Transfers in.....	12,000	-	-	12,000
Transfers out.....	(792,654)	-	-	(792,654)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(780,654)</b>	<b>-</b>	<b>-</b>	<b>(780,654)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>217,056</b>	<b>685,287</b>	<b>(189,222)</b>	<b>713,121</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,281,636</b>	<b>2,226,301</b>	<b>378,535</b>	<b>5,886,472</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,498,692</b>	<b>\$ 2,911,588</b>	<b>\$ 189,313</b>	<b>\$ 6,599,593</b>

Capital Project Funds

Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	Other	Subtotal
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,144	-	3,144
-	-	-	-	-	-
-	-	-	3,144	-	3,144
-	-	200	-	-	200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
433,160	362,001	-	12,698,942	4,269,338	17,763,441
433,160	362,001	200	12,698,942	4,269,338	17,763,641
(433,160)	(362,001)	(200)	(12,695,798)	(4,269,338)	(17,760,497)
-	-	-	14,471,550	1,487,450	15,959,000
-	-	-	198,450	140,773	339,223
-	-	-	-	432,672	432,672
81,000	-	-	-	5,720,875	5,801,875
-	-	-	-	-	-
81,000	-	-	14,670,000	7,781,770	22,532,770
(352,160)	(362,001)	(200)	1,974,202	3,512,432	4,772,273
1,550,567	2,654,260	4,386	1,709,609	3,383,477	9,302,299
\$ 1,198,407	\$ 2,292,259	\$ 4,186	\$ 3,683,811	\$ 6,895,909	\$ 14,074,572

(Continued)

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

YEAR ENDED JUNE 30, 2018

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 962,646
Intergovernmental.....	-	-	-	-	6,945,090
Departmental and other.....	-	-	-	-	8,375,721
Contributions and donations.....	29,323	149	-	29,472	308,633
Investment income.....	11,703	4,527	2,530	18,760	111,258
<b>TOTAL REVENUES.....</b>	<b>41,026</b>	<b>4,676</b>	<b>2,530</b>	<b>48,232</b>	<b>16,703,348</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	1,260,565
Public safety.....	-	-	-	-	1,844,210
Education.....	-	-	-	-	10,090,649
Public works.....	3,060	-	-	3,060	274,287
Health and human services.....	-	-	1,450	1,450	1,584,982
Library.....	-	14,397	-	14,397	92,611
Capital outlay.....	-	-	-	-	17,793,441
<b>TOTAL EXPENDITURES.....</b>	<b>3,060</b>	<b>14,397</b>	<b>1,450</b>	<b>18,907</b>	<b>32,940,745</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>37,966</b>	<b>(9,721)</b>	<b>1,080</b>	<b>29,325</b>	<b>(16,237,397)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	-	-	15,959,000
Premium from issuance of bonds.....	-	-	-	-	339,223
Capital lease financing.....	-	-	-	-	432,672
Transfers in.....	-	-	-	-	5,813,875
Transfers out.....	(6,000)	-	-	(6,000)	(798,654)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(6,000)</b>	<b>-</b>	<b>-</b>	<b>(6,000)</b>	<b>21,746,116</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>31,966</b>	<b>(9,721)</b>	<b>1,080</b>	<b>23,325</b>	<b>5,508,719</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,198,640</b>	<b>480,974</b>	<b>240,462</b>	<b>1,920,076</b>	<b>17,108,847</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,230,606</b>	<b>\$ 471,253</b>	<b>\$ 241,542</b>	<b>\$ 1,943,401</b>	<b>\$ 22,617,566</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 POSITION

JUNE 30, 2018

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 67,112	\$ 357,192	\$ 5,136,888	\$ 192,199	\$ 5,753,391
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	122,636	-	122,636
<b>TOTAL ASSETS.....</b>	<b>67,112</b>	<b>357,192</b>	<b>5,259,524</b>	<b>192,199</b>	<b>5,876,027</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	-	-	155,208	-	155,208
Health claims payable.....	-	-	1,884,000	-	1,884,000
Other liabilities.....	-	-	532,121	-	532,121
Workers' compensation.....	-	-	-	417,000	417,000
<b>Total current liabilities.....</b>	<b>-</b>	<b>-</b>	<b>2,571,329</b>	<b>417,000</b>	<b>2,988,329</b>
<b>NONCURRENT:</b>					
Workers' compensation.....	-	-	-	213,000	213,000
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>2,571,329</b>	<b>630,000</b>	<b>3,201,329</b>
<b>NET POSITION</b>					
Unrestricted.....	\$ 67,112	\$ 357,192	\$ 2,688,195	\$ (437,801)	\$ 2,674,698

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

YEAR ENDED JUNE 30, 2018

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>OPERATING REVENUES:</b>					
Employee contributions.....	\$ -	\$ -	\$ 7,150,883	\$ -	\$ 7,150,883
Employer contributions.....	-	160,000	20,061,893	14,095	20,235,988
<b>TOTAL OPERATING REVENUES .....</b>	<b>-</b>	<b>160,000</b>	<b>27,212,776</b>	<b>14,095</b>	<b>27,386,871</b>
<b>OPERATING EXPENSES:</b>					
Property and liability insurance.....	30,618	-	-	-	30,618
Employee benefits.....	-	92,297	25,506,998	420,000	26,019,295
<b>TOTAL OPERATING EXPENSES.....</b>	<b>30,618</b>	<b>92,297</b>	<b>25,506,998</b>	<b>420,000</b>	<b>26,049,913</b>
<b>OPERATING INCOME.....</b>	<b>(30,618)</b>	<b>67,703</b>	<b>1,705,778</b>	<b>(405,905)</b>	<b>1,336,958</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	1,278	3,147	16,946	-	21,371
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>(29,340)</b>	<b>70,850</b>	<b>1,722,724</b>	<b>(405,905)</b>	<b>1,358,329</b>
<b>CHANGE IN NET POSITION.....</b>	<b>(29,340)</b>	<b>70,850</b>	<b>1,722,724</b>	<b>(405,905)</b>	<b>1,358,329</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>96,452</b>	<b>286,342</b>	<b>965,471</b>	<b>(31,896)</b>	<b>1,316,369</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 67,112</b>	<b>\$ 357,192</b>	<b>\$ 2,688,195</b>	<b>\$ (437,801)</b>	<b>\$ 2,674,698</b>

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

YEAR ENDED JUNE 30, 2018

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 7,150,883	\$ -	\$ 7,150,883
Receipts from interfund services provided.....	-	160,000	20,232,538	14,095	20,406,633
Payments to vendors.....	(30,618)	-	(68,626)	-	(99,244)
Payments for interfund services used.....	-	(92,297)	(25,679,535)	-	(25,771,832)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>(30,618)</b>	<b>67,703</b>	<b>1,635,260</b>	<b>14,095</b>	<b>1,686,440</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(29,340)</b>	<b>70,850</b>	<b>1,652,206</b>	<b>14,095</b>	<b>1,707,811</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>96,452</b>	<b>286,342</b>	<b>3,484,682</b>	<b>178,104</b>	<b>4,045,580</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 67,112</b>	<b>\$ 357,192</b>	<b>\$ 5,136,888</b>	<b>\$ 192,199</b>	<b>\$ 5,753,391</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>					
<b>FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ (30,618)	\$ 67,703	\$ 1,705,778	\$ (405,905)	\$ 1,336,958
Adjustments to reconcile operating income to net Changes in assets and liabilities:					
Departmental and other.....	-	-	170,645	-	170,645
Warrants payable.....	-	-	(128,537)	-	(128,537)
Health claims payable.....	-	-	(44,000)	-	(44,000)
Other liabilities.....	-	-	(68,626)	-	(68,626)
Workers' compensation.....	-	-	-	420,000	420,000
Total adjustments.....	-	-	(70,518)	420,000	349,482
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ (30,618)</b>	<b>\$ 67,703</b>	<b>\$ 1,635,260</b>	<b>\$ 14,095</b>	<b>\$ 1,686,440</b>

See notes to basic financial statements.

# ***Agency Fund***

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

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

YEAR ENDED JUNE 30, 2018

	June 30, 2017	Additions	Deletions	June 30, 2018
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 1,171,276	\$ 1,572,390	\$ (1,424,473)	\$ 1,319,193
<b>LIABILITIES</b>				
Liabilities due depositors.....	\$ 1,171,276	\$ 1,572,390	\$ (1,424,473)	\$ 1,319,193

# ***Statistical Section***



**Ballardvale Park**



**Haggetts Pond**

# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

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

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

## ***Operating Information***

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Net Position By Component**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 89,103,313	\$ 93,007,654	\$ 93,315,362	\$ 97,503,961	\$ 104,403,021	\$ 113,445,872	\$ 113,175,340	\$ 119,176,309	\$ 117,289,661	\$ 114,397,564
Restricted.....	3,395,370	3,796,181	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277	8,921,380	9,181,609
Unrestricted.....	(11,182,850)	(25,064,804)	(33,596,579)	(42,544,729)	(46,622,291)	(49,559,677)	(151,227,241)	(174,133,075)	(229,559,125)	(238,349,204)
<b>Total governmental activities net position.....</b>	<b>\$ 81,315,833</b>	<b>\$ 71,739,031</b>	<b>\$ 63,695,076</b>	<b>\$ 61,154,070</b>	<b>\$ 67,031,136</b>	<b>\$ 74,110,239</b>	<b>\$ (28,000,575)</b>	<b>\$ (46,464,489)</b>	<b>\$ (103,348,084)</b>	<b>\$ (114,770,031)</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 47,347,751	\$ 47,583,170	\$ 47,534,459	\$ 46,353,252	\$ 45,822,689	\$ 45,559,159	\$ 44,188,974	\$ 42,788,461	\$ 44,110,580	\$ 42,038,002
Unrestricted.....	20,682,749	18,915,881	18,241,146	18,385,626	18,388,810	18,186,228	15,331,376	15,734,929	6,164,961	7,323,154
<b>Total business-type activities net position.....</b>	<b>\$ 68,030,500</b>	<b>\$ 66,499,051</b>	<b>\$ 65,775,605</b>	<b>\$ 64,738,878</b>	<b>\$ 64,211,499</b>	<b>\$ 63,745,387</b>	<b>\$ 59,520,350</b>	<b>\$ 58,523,390</b>	<b>\$ 50,275,541</b>	<b>\$ 49,361,156</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 136,451,064	\$ 140,590,824	\$ 140,849,821	\$ 143,857,213	\$ 150,225,710	\$ 159,005,031	\$ 157,364,314	\$ 161,964,770	\$ 161,400,241	\$ 156,435,566
Restricted.....	3,395,370	3,796,181	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277	8,921,380	9,181,609
Unrestricted.....	9,499,899	(6,148,923)	(15,355,433)	(24,159,103)	(28,233,481)	(31,373,449)	(135,895,865)	(158,398,146)	(223,394,164)	(231,026,050)
<b>Total primary government net position.....</b>	<b>\$ 149,346,333</b>	<b>\$ 138,238,082</b>	<b>\$ 129,470,681</b>	<b>\$ 125,892,948</b>	<b>\$ 131,242,635</b>	<b>\$ 137,855,626</b>	<b>\$ 31,519,775</b>	<b>\$ 12,058,901</b>	<b>\$ (53,072,543)</b>	<b>\$ (65,408,875)</b>
							(A)		(B)	

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

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

**Changes in Net Position**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 6,736,844	\$ 7,853,717	\$ 7,243,947	\$ 9,005,184	\$ 9,461,933	\$ 10,133,951	\$ 11,356,864	\$ 13,441,576	\$ 14,410,788	\$ 14,257,548
Plant and facilities.....	5,647,761	5,610,304	5,868,634	6,301,667	** -	-	-	-	-	-
Public safety.....	21,273,659	20,464,627	21,289,440	20,862,977	21,202,823	21,795,686	25,090,468	28,947,658	29,471,772	31,300,955
Education.....	109,043,813	109,285,301	109,674,533	110,230,609	111,204,625	115,158,937	112,779,199	126,990,371	132,222,941	137,718,100
Public works.....	7,281,462	7,086,407	7,488,126	6,086,731	** -	-	-	-	-	-
Municipal services.....	-	-	-	-	13,942,874	14,218,102	13,146,807	19,300,095	22,362,301	20,462,938
Community services.....	3,401,157	3,410,882	3,473,959	3,547,165	3,484,284	3,574,827	3,857,449	4,690,932	4,720,122	5,200,282
Library.....	4,202,915	4,158,325	3,981,093	3,308,590	3,270,652	3,388,768	3,948,793	4,704,562	4,662,189	4,629,860
Interest.....	2,157,682	1,692,345	1,733,882	1,813,401	2,180,097	2,102,376	2,675,387	2,239,673	2,044,006	1,893,346
<b>Total government activities expenses.....</b>	<b>159,745,293</b>	<b>159,561,908</b>	<b>160,753,614</b>	<b>161,156,324</b>	<b>164,747,288</b>	<b>170,372,647</b>	<b>172,854,967</b>	<b>200,314,867</b>	<b>209,894,119</b>	<b>215,463,029</b>
Business-type activities:										
Water.....	7,971,843	5,423,483	7,389,781	7,641,864	7,466,053	8,131,905	7,746,482	9,103,219	9,065,449	10,160,951
Sewer.....	4,829,544	4,662,645	4,919,891	4,614,480	4,599,787	4,221,701	4,538,357	4,531,114	4,533,507	5,010,158
<b>Total business-type activities expenses.....</b>	<b>12,801,387</b>	<b>10,086,128</b>	<b>12,309,672</b>	<b>12,256,344</b>	<b>12,065,840</b>	<b>12,353,606</b>	<b>12,284,839</b>	<b>13,634,333</b>	<b>13,598,956</b>	<b>15,171,109</b>
<b>Total primary government expenses.....</b>	<b>\$ 172,546,680</b>	<b>\$ 169,648,036</b>	<b>\$ 173,063,286</b>	<b>\$ 173,412,668</b>	<b>\$ 176,813,128</b>	<b>\$ 182,726,253</b>	<b>\$ 185,139,806</b>	<b>\$ 213,949,200</b>	<b>\$ 223,493,075</b>	<b>\$ 230,634,138</b>
<b>Program Revenues</b>										
Governmental activities:										
Public safety charges for services.....	\$ 3,790,779	\$ 3,755,724	\$ 3,649,023	\$ 4,179,923	\$ 5,376,825	\$ 4,879,683	\$ 5,855,804	\$ 6,359,841	\$ 6,528,322	\$ 6,515,366
Education charges for services.....	3,869,698	4,159,428	4,447,671	4,406,316	4,533,644	4,594,367	4,880,144	5,084,499	5,153,935	5,127,469
Other charges for services.....	2,992,813	3,458,043	2,980,246	3,263,775	3,017,848	3,197,405	3,152,353	3,233,071	3,401,970	4,121,952
Education operating grants and contributions.....	23,010,714	24,013,602	24,783,904	25,611,406	26,139,620	26,031,266	21,636,186	26,598,021	31,436,564	33,435,322
Other operating grants and contributions.....	2,822,588	2,024,443	1,759,998	1,607,599	1,191,156	1,438,710	1,648,198	1,357,650	1,866,468	2,160,016
General government capital grant and contributions.....	-	-	259,600	-	-	-	-	-	-	-
Municipal services capital grant and contributions.....	1,033,675	1,062,707	1,378,068	-	1,553,595	1,774,179	977,093	1,626,204	3,016,120	1,452,390
Education capital grant and contributions.....	-	-	-	-	7,690,079	7,013,590	-	-	-	1,104,315
Other capital grant and contributions.....	10,992	-	-	2,310,588	458,700	1,984,863	712,064	227,501	37,233	33,144
<b>Total government activities program revenues.....</b>	<b>37,531,259</b>	<b>38,473,947</b>	<b>39,258,510</b>	<b>41,379,607</b>	<b>49,961,467</b>	<b>50,914,063</b>	<b>38,861,842</b>	<b>44,486,787</b>	<b>51,440,612</b>	<b>53,949,974</b>
Business-type activities:										
Water charges for services.....	6,557,656	6,107,981	7,539,658	6,974,207	7,244,362	7,405,049	7,723,468	8,248,851	8,614,491	9,242,742
Sewer charges for services.....	4,048,056	4,090,182	3,995,288	4,236,585	4,241,515	4,457,073	4,099,900	4,354,327	4,625,827	4,684,118
Other capital grant and contributions.....	10,798,240	229,534	41,759	-	42,339	-	20,000	-	-	247,000
<b>Total business-type activities program revenues.....</b>	<b>21,403,952</b>	<b>10,427,697</b>	<b>11,576,705</b>	<b>11,210,792</b>	<b>11,528,216</b>	<b>11,862,122</b>	<b>11,843,368</b>	<b>12,603,178</b>	<b>13,240,318</b>	<b>14,173,860</b>
<b>Total primary government program revenues.....</b>	<b>\$ 58,935,211</b>	<b>\$ 48,901,644</b>	<b>\$ 50,835,215</b>	<b>\$ 52,590,399</b>	<b>\$ 61,489,683</b>	<b>\$ 62,776,185</b>	<b>\$ 50,705,210</b>	<b>\$ 57,089,965</b>	<b>\$ 64,680,930</b>	<b>\$ 68,123,834</b>
<b>Net (Expense)/Program Revenue</b>										
Governmental activities.....	\$ (122,214,034)	\$ (121,087,961)	\$ (121,495,104)	\$ (119,776,717)	\$ (114,785,821)	\$ (119,458,584)	\$ (133,993,125)	\$ (155,828,080)	\$ (158,453,507)	\$ (161,513,055)
Business-type activities.....	8,602,565	341,569	(732,967)	(1,045,552)	(537,624)	(491,484)	(441,471)	(1,031,155)	(358,638)	(997,249)
<b>Total primary government net (expense)/program revenue.....</b>	<b>\$ (113,611,469)</b>	<b>\$ (120,746,392)</b>	<b>\$ (122,228,071)</b>	<b>\$ (120,822,269)</b>	<b>\$ (115,323,445)</b>	<b>\$ (119,950,068)</b>	<b>\$ (134,434,596)</b>	<b>\$ (156,859,235)</b>	<b>\$ (158,812,145)</b>	<b>\$ (162,510,304)</b>

(continued)

**Changes in Net Position**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 96,597,993	\$ 100,368,252	\$ 103,594,344	\$ 107,658,022	\$ 110,652,457	\$ 116,416,632	\$ 120,794,299	\$ 126,409,719	\$ 133,419,328	\$ 138,291,617
Tax liens.....	316,513	416,598	352,839	231,426	420,138	127,902	761,023	33,265	331,830	324,654
Motor vehicle excise taxes.....	4,407,674	4,510,747	4,722,659	4,530,897	4,903,920	4,970,746	5,124,285	5,582,946	5,880,582	5,932,927
Hotel/motel tax	860,090	962,298	1,288,661	1,353,137	1,526,835	1,496,945	1,722,509	1,747,841	2,004,253	1,995,058
Meals tax.....	-	136,239	478,403	517,177	547,235	506,658	545,489	570,252	583,007	621,317
Penalties and interest on taxes.....	303,184	286,866	409,888	416,902	298,550	554,802	461,456	400,186	417,131	337,580
Grants and contributions not restricted to specific programs.....	2,502,913	2,083,892	2,070,906	2,005,649	2,099,507	2,193,507	2,229,911	2,286,196	2,365,532	2,034,338
Unrestricted investment income.....	1,005,941	550,684	315,873	273,240	74,364	164,538	230,715	264,490	232,297	553,617
Miscellaneous.....	144,381	-	217,576	249,261	139,881	105,957	71,919	69,271	49,925	-
<b>Total governmental activities.....</b>	<b>106,138,689</b>	<b>109,315,576</b>	<b>113,451,149</b>	<b>117,235,711</b>	<b>120,662,887</b>	<b>126,537,687</b>	<b>131,941,606</b>	<b>137,364,166</b>	<b>145,283,885</b>	<b>150,091,108</b>
Business-type activities:										
Unrestricted investment income.....	29,468	14,785	9,521	8,825	10,245	25,372	31,733	34,195	48,981	82,864
<b>Total primary government general revenues and other changes in net position.....</b>	<b>\$ 106,168,157</b>	<b>\$ 109,330,361</b>	<b>\$ 113,460,670</b>	<b>\$ 117,244,536</b>	<b>\$ 120,673,132</b>	<b>\$ 126,563,059</b>	<b>\$ 131,973,339</b>	<b>\$ 137,398,361</b>	<b>\$ 145,332,866</b>	<b>\$ 150,173,972</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ (16,075,345)	\$ (11,772,385)	\$ (8,043,955)	\$ (2,541,006)	\$ 5,877,066	\$ 7,079,103	\$ (2,051,519)	\$ (18,463,914)	\$ (13,169,622)	\$ (11,421,947)
Business-type activities.....	8,632,033	356,354	(723,446)	(1,036,727)	(527,379)	(466,112)	(409,738)	(996,960)	(309,657)	(914,385)
<b>Total primary government changes in net position.....</b>	<b>\$ (7,443,312)</b>	<b>\$ (11,416,031)</b>	<b>\$ (8,767,401)</b>	<b>\$ (3,577,733)</b>	<b>\$ 5,349,687</b>	<b>\$ 6,612,991</b>	<b>\$ (2,461,257)</b>	<b>\$ (19,460,874)</b>	<b>\$ (13,479,279)</b>	<b>\$ (12,336,332)</b>

\*\* In fiscal 2013, the Town consolidated its plant and facilities and public works department's forming a new municipal services functional line-item.

(concluded)

**Fund Balances, Governmental Funds**

**Last Ten Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General Fund</b>										
Reserved.....	\$ 491,022	\$ 1,208,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	3,015,527	3,250,042	-	-	-	-	-	-	-	-
Restricted.....	-	-	-	-	1,092,228	978,024	877,138	782,526	693,100	608,191
Committed.....	-	-	13,999	13,999	100,734	2,354,757	5,132,811	2,166,450	2,020,002	1,934,625
Assigned.....	-	-	817,053	2,197,122	1,181,371	1,049,914	1,176,478	1,470,172	1,361,449	1,340,429
Unassigned.....	-	-	<u>8,106,788</u>	<u>10,772,493</u>	<u>12,715,770</u>	<u>14,603,525</u>	<u>12,835,260</u>	<u>12,952,202</u>	<u>17,826,724</u>	<u>17,887,242</u>
<b>Total general fund.....</b>	<b>\$ 3,506,549</b>	<b>\$ 4,458,198</b>	<b>\$ 8,937,840</b>	<b>\$ 12,983,614</b>	<b>\$ 15,090,103</b>	<b>\$ 18,986,220</b>	<b>\$ 20,021,687</b>	<b>\$ 17,371,350</b>	<b>\$ 21,901,275</b>	<b>\$ 21,770,487</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 1,265,156	\$ 1,274,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	9,586,198	10,747,094	-	-	-	-	-	-	-	-
Capital projects funds.....	(996,668)	226,609	-	-	-	-	-	-	-	-
Permanent funds.....	423,353	497,686	-	-	-	-	-	-	-	-
Nonspendable.....	-	-	1,259,811	1,274,750	1,278,486	1,261,738	1,268,347	1,280,783	1,286,034	1,315,354
Restricted.....	-	-	8,296,921	13,319,927	19,275,015	22,692,841	18,046,721	20,068,946	16,376,243	22,607,870
Unassigned.....	-	-	-	<u>(2,174,741)</u>	-	-	<u>(114,313)</u>	-	-	<u>(266,464)</u>
<b>Total all other governmental funds.....</b>	<b>\$ 10,278,039</b>	<b>\$ 12,745,596</b>	<b>\$ 9,556,732</b>	<b>\$ 12,419,936</b>	<b>\$ 20,553,501</b>	<b>\$ 23,954,579</b>	<b>\$ 19,200,755</b>	<b>\$ 21,349,729</b>	<b>\$ 17,662,277</b>	<b>\$ 23,656,760</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 Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 96,792,126	\$ 100,472,493	\$ 103,357,190	\$ 107,820,244	\$ 110,384,336	\$ 116,681,066	\$ 121,034,570	\$ 126,180,460	\$ 133,498,869	\$ 138,082,006
Motor vehicle and other excise taxes.....	5,379,998	5,435,155	5,877,675	5,824,833	4,745,068	5,082,290	5,165,789	5,700,798	5,861,936	5,836,628
Intergovernmental.....	29,885,449	29,755,486	30,178,437	33,649,963	36,439,032	37,628,417	30,126,642	32,495,810	37,605,820	38,349,896
Departmental and other.....	11,448,429	12,460,238	13,073,732	14,524,170	16,343,246	18,403,347	18,312,668	18,377,257	19,100,583	19,278,630
Interest income.....	1,048,718	660,607	350,374	306,101	52,399	202,101	211,262	254,575	199,876	532,246
<b>Total Revenue.....</b>	<b>144,554,720</b>	<b>148,783,979</b>	<b>152,837,408</b>	<b>162,125,311</b>	<b>167,964,081</b>	<b>177,997,221</b>	<b>174,850,931</b>	<b>183,008,900</b>	<b>196,267,084</b>	<b>202,079,406</b>
<b>Expenditures:</b>										
General government.....	4,886,763	5,620,278	4,926,017	6,564,652	7,103,931	7,323,954	7,344,861	7,914,464	8,563,816	8,906,509
Plant and facilities.....	4,417,257	4,323,782	4,558,237	5,029,583	** -	-	-	-	-	-
Public safety.....	16,121,617	15,013,636	15,740,379	15,373,742	15,961,083	16,120,879	17,467,921	17,420,495	17,320,298	19,043,736
Education.....	69,204,520	69,878,266	72,239,103	71,201,775	75,342,685	78,345,911	80,699,104	83,170,976	87,289,023	90,118,954
Public works.....	6,768,354	6,202,273	6,326,863	6,197,537	** -	-	-	-	-	-
Municipal services.....	-	-	-	-	** 11,005,407	10,986,859	13,161,484	11,071,883	13,768,109	13,503,004
Community services.....	2,714,309	2,726,573	2,767,944	2,874,439	2,972,973	2,893,483	3,042,960	3,400,352	3,296,991	3,701,839
Library.....	2,729,703	2,659,866	2,656,682	2,547,398	2,532,582	2,558,449	2,626,027	2,864,208	2,705,611	2,786,809
Pension benefits.....	14,650,593	15,577,594	15,928,980	17,217,084	18,298,372	18,696,325	14,130,520	20,014,421	24,870,902	26,656,120
Property and liability insurance.....	562,014	485,701	734,996	827,013	717,613	777,873	775,186	733,618	1,184,199	884,567
Employee benefits.....	11,627,211	13,438,023	14,834,385	14,808,947	13,908,127	15,274,878	17,370,998	17,420,680	19,024,326	20,357,485
Claims and judgments.....	264,966	-	-	-	-	-	-	-	-	-
State and county charges.....	2,871,728	3,072,718	2,860,658	2,433,163	2,468,820	2,817,601	756,777	649,170	598,992	680,010
Capital outlay.....	7,547,507	5,717,723	7,213,849	7,729,883	22,004,956	32,305,218	15,698,468	10,784,487	9,513,804	20,182,677
Debt service:										
Principal.....	6,306,423	6,465,718	5,865,696	6,194,000	5,813,900	6,744,500	7,753,500	8,096,050	7,097,104	6,637,898
Interest.....	2,015,030	1,435,531	1,642,841	1,847,422	1,871,364	2,296,280	2,999,136	2,895,359	2,529,536	2,361,998
<b>Total Expenditures.....</b>	<b>152,687,995</b>	<b>152,617,682</b>	<b>158,296,630</b>	<b>160,846,638</b>	<b>180,001,813</b>	<b>197,142,210</b>	<b>183,826,942</b>	<b>186,436,163</b>	<b>197,762,711</b>	<b>215,821,606</b>
Excess of revenues over (under) expenditures.....	(8,133,275)	(3,833,703)	(5,459,222)	1,278,673	(12,037,732)	(19,144,989)	(8,976,011)	(3,427,263)	(1,495,627)	(13,742,200)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	4,195,000	5,566,000	6,750,000	5,366,000	20,555,000	24,242,000	4,990,000	2,925,900	2,123,300	18,743,100
Issuance of refunding bonds.....	-	7,936,000	-	4,564,700	3,423,300	-	-	-	-	-
Premium from issuance of bonds.....	-	-	-	239,602	1,657,247	2,200,184	267,654	-	214,800	430,123
Premium from issuance of refunding bonds.....	-	892,842	-	446,698	599,483	-	-	-	-	-
Capital lease financing.....	-	-	-	-	-	-	-	-	-	432,672
Payments to refunded bond escrow agent.....	-	(8,951,608)	-	(4,986,695)	(3,957,244)	-	-	-	-	-
Transfers in.....	2,969,084	3,737,067	1,983,683	1,602,664	3,360,800	4,858,735	4,335,344	10,187,387	6,593,061	6,331,529
Transfers out.....	(2,969,084)	(1,927,392)	(1,983,683)	(1,602,664)	(3,360,800)	(4,858,735)	(4,335,344)	(10,187,387)	(6,593,061)	(6,331,529)
<b>Total other financing sources (uses).....</b>	<b>4,195,000</b>	<b>7,252,909</b>	<b>6,750,000</b>	<b>5,630,305</b>	<b>22,277,786</b>	<b>26,442,184</b>	<b>5,257,654</b>	<b>2,925,900</b>	<b>2,338,100</b>	<b>19,605,895</b>
<b>Net change in fund balance.....</b>	<b>\$ (3,938,275)</b>	<b>\$ 3,419,206</b>	<b>\$ 1,290,778</b>	<b>\$ 6,908,978</b>	<b>\$ 10,240,054</b>	<b>\$ 7,297,195</b>	<b>\$ (3,718,357)</b>	<b>\$ (501,363)</b>	<b>\$ 842,473</b>	<b>\$ 5,863,695</b>
Debt service as a percentage of noncapital expenditures.....	5.76%	5.39%	4.99%	5.34%	4.89%	5.49%	6.36%	6.19%	5.05%	4.54%

**Notes:**

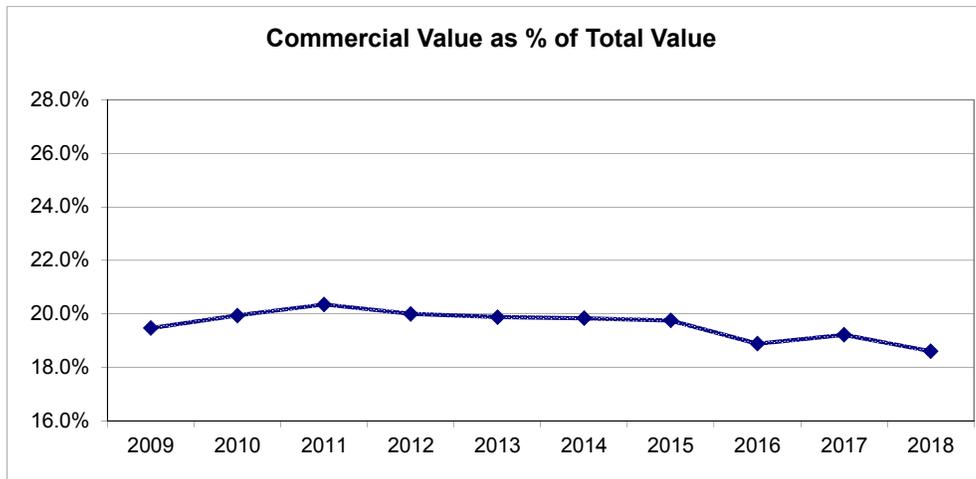
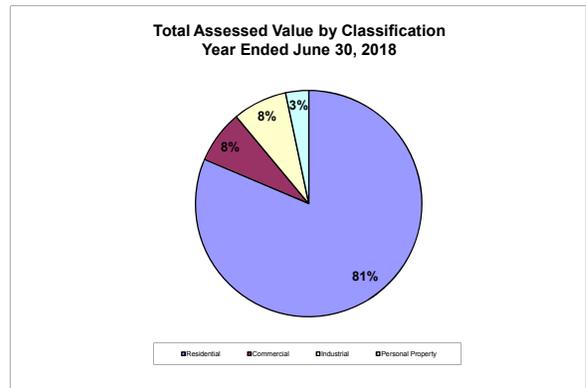
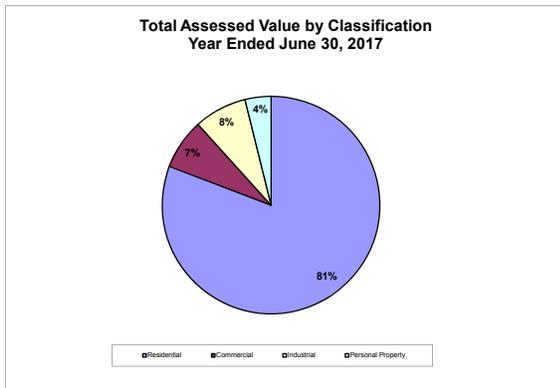
(a) - The FY06 % has been adjusted to eliminate the effect of a state school construction capital grant totaling \$3.8 million, respectively to pay down debt.

\*\* In fiscal 2013, the Town consolidated its plant and facilities and public works department's forming a new municipal services functional line-item.

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
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
2013	\$ 5,450,304,845	\$ 14.51	\$ 544,010,554	\$ 574,064,300	\$ 234,340,227	\$ 1,352,415,081	\$ 24.26	\$ 16.45	\$ 6,802,719,926
2014	\$ 5,483,302,185	\$ 15.18	\$ 541,616,314	\$ 578,490,500	\$ 237,117,137	\$ 1,357,223,951	\$ 25.25	\$ 17.18	\$ 6,840,526,136
2015	(1) \$ 5,801,226,330	\$ 14.97	\$ 580,548,306	\$ 601,623,300	\$ 246,548,798	\$ 1,428,720,404	\$ 24.77	\$ 16.91	\$ 7,229,946,734
2016	\$ 6,117,465,085	\$ 14.82	\$ 573,623,228	\$ 603,476,100	\$ 247,911,769	\$ 1,425,011,097	\$ 25.99	\$ 16.93	\$ 7,542,476,182
2017	\$ 6,191,555,580	\$ 15.18	\$ 577,433,480	\$ 601,695,200	\$ 294,625,929	\$ 1,473,754,609	\$ 26.46	\$ 17.35	\$ 7,665,310,189
2018	\$ 6,347,884,255	\$ 15.64	\$ 588,216,151	\$ 608,062,200	\$ 255,067,239	\$ 1,451,345,590	\$ 27.61	\$ 17.87	\$ 7,799,229,845



(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**

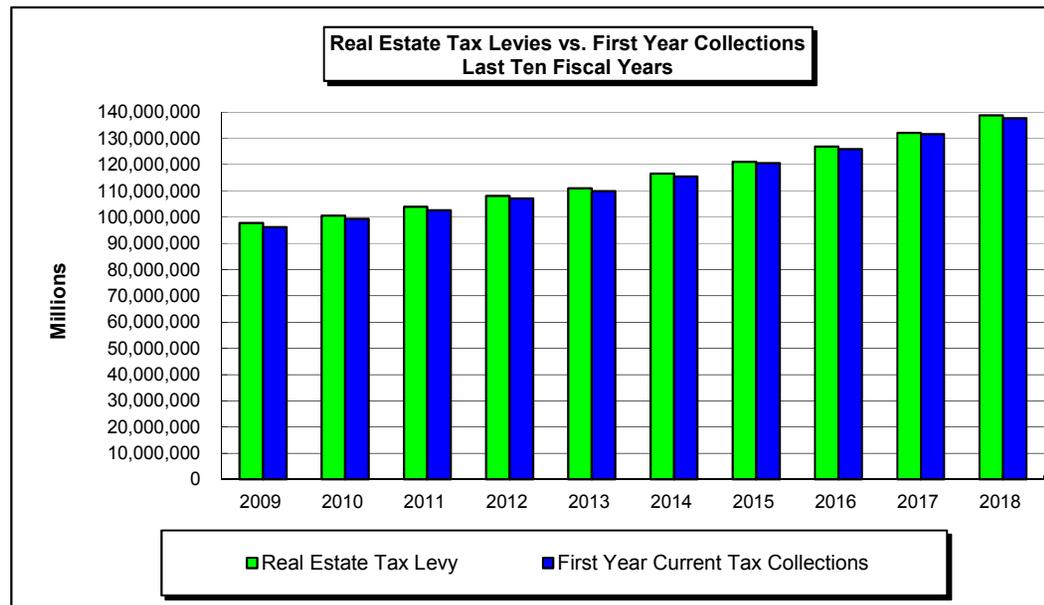
Name	Property Type	2018			2009		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Pfizer	Industrial	\$ 82,085,800	1	1.05%	\$ -	-	
Raytheon Co. & Endrock Associates	Industrial/Residential	\$ 70,020,450	2	0.90%	\$ 64,153,743	3	0.90%
Transwestern Brickstone Square LLC	Commercial	\$ 63,890,600	3	0.82%	\$ 76,760,887	2	1.07%
Philips Electro No Amer Corp. (Agilent)	Industrial	\$ 50,831,800	4	0.65%	\$ 57,833,500	4	0.81%
Eisai Research Institute	Commercial/Industrial	\$ 43,897,770	5	0.56%	\$ 54,805,279	5	0.77%
Hewlett Packard Enterprise Co.	Industrial/Residential	\$ 43,024,290	6	0.55%	\$ -	-	
Lincoln Park LLC (Putnam Investments)	Commercial/Industrial	\$ 43,000,030	7	0.55%	\$ 35,628,000	10	0.50%
Mass Electric Co	Industrial/Utility	\$ 41,894,810	8	0.54%	\$ -	-	
One Hundred Minuteman LLC	Industrial	\$ 40,048,000	9	0.51%	\$ 46,737,800	8	0.65%
Navisite, Inc	Commercial/Industrial	\$ 37,288,960	10	0.48%	\$ -	-	
Wyeth (Genetics Institute)	Industrial	\$ -		-	\$ 92,225,588	1	1.29%
RREEF America REIT III Corp ZI	Office	\$ -		-	\$ 53,396,000	6	0.75%
CA Investment Trust	Industrial	\$ -		-	\$ 50,347,053	7	0.70%
Verizon New England	Utility	\$ -		-	\$ 38,581,000	9	0.54%
	<b>Totals</b>	<u>\$515,982,510</u>		<u>6.62%</u>	<u>\$570,468,850</u>		<u>7.97%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Years**

Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2009	(1)	\$ 97,976,754	\$ 309,456	\$ 97,667,298	\$ 96,086,383	98.38%	\$ 1,580,915	\$ 97,667,298	100.00%
2010		\$ 101,290,116	\$ 822,806	\$ 100,467,310	\$ 99,241,767	98.78%	\$ 579,880	\$ 99,821,647	99.36%
2011		\$ 104,658,300	\$ 772,521	\$ 103,885,779	\$ 102,625,682	98.79%	\$ 1,025,236	\$ 103,650,918	99.77%
2012	(1)	\$ 108,874,156	\$ 857,191	\$ 108,016,965	\$ 107,067,732	99.12%	\$ 949,233	\$ 108,016,965	100.00%
2013		\$ 111,893,513	\$ 985,564	\$ 110,907,949	\$ 109,842,289	99.04%	\$ 944,361	\$ 110,786,650	99.89%
2014		\$ 117,506,432	\$ 981,734	\$ 116,524,698	\$ 115,439,167	99.07%	\$ 848,486	\$ 116,287,653	99.80%
2015	(1)	\$ 122,233,763	\$ 1,159,706	\$ 121,074,057	\$ 120,524,220	99.55%	\$ 402,945	\$ 120,927,165	99.88%
2016		\$ 127,696,871	\$ 876,380	\$ 126,820,491	\$ 125,835,396	99.22%	\$ 854,640	\$ 126,690,036	99.90%
2017		\$ 132,983,361	\$ 907,823	\$ 132,075,538	\$ 131,568,459	99.62%	\$ 329,802	\$ 131,898,261	99.87%
2018		\$ 139,352,561	\$ 591,466	\$ 138,761,095	\$ 137,603,164	99.17%	\$ -	\$ 137,603,164	99.17%



(1) Revaluation year.

(2) Includes tax liens.

Source: Assessor's Department, Town of Andover

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

**Last Ten Years**

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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	\$ 2,212,946,253	\$ 6,616,551,562	\$ 51,225,999	\$ -	\$ 1,543	2.31%	0.77%
2012	33,201	\$ 1,731,982,946	\$ 6,798,505,246	\$ 50,237,699	\$ -	\$ 1,513	2.90%	0.74%
2013	31,656	\$ 1,684,413,276	\$ 6,802,719,926	\$ 67,125,020	\$ -	\$ 2,120	3.99%	0.99%
2014	31,939	\$ 2,259,131,604	\$ 6,840,526,136	\$ 87,324,906	\$ -	\$ 2,734	3.87%	1.28%
2015	31,617	\$ 2,281,103,316	\$ 7,229,946,734	\$ 84,243,576	\$ -	\$ 2,665	3.69%	1.17%
2016	35,299	\$ 2,597,688,709	\$ 7,542,476,182	\$ 78,346,580	\$ -	\$ 2,220	3.02%	1.04%
2017	35,490	\$ 2,663,985,870	\$ 7,665,310,189	\$ 72,997,287	\$ -	\$ 2,057	2.74%	0.95%
2018	32,323	\$ 2,474,778,172	\$ 7,799,229,845	\$ 84,960,292	\$ 222,815	\$ 2,635	3.44%	1.09%

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
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	3.92%	1.31%
2012	\$ 33,731,282	\$ -	\$ 83,968,981	\$ 2,529	4.85%	1.24%
2013	\$ 33,435,605	\$ -	\$ 100,560,625	\$ 3,177	5.97%	1.48%
2014	\$ 35,054,316	\$ -	\$ 122,379,222	\$ 3,832	5.42%	1.79%
2015	\$ 34,525,548	\$ -	\$ 118,769,124	\$ 3,756	5.21%	1.64%
2016	\$ 31,193,805	\$ -	\$ 109,540,385	\$ 3,103	4.22%	1.45%
2017	\$ 29,366,241	\$ -	\$ 102,363,528	\$ 2,884	3.84%	1.34%
2018	\$ 30,476,994	\$ -	\$ 115,660,101	\$ 3,578	4.67%	1.48%

(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, 2018**

<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.....	\$ 14,495,000	1.8%	\$ 520,524
Greater Lawrence Sanitary District.....	23,987,181	12.5%	1,679,649
Merrimack Valley Transit Authority.....	-	N/A	<u>272,392</u>
Subtotal, overlapping debt.....			<u>2,472,565</u>
Town direct debt.....			<u>84,960,292</u>
Total direct and overlapping debt.....			<u>\$ 87,432,857</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 Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equalized Valuation.....	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,405,664,700	\$ 7,292,906,600	\$ 7,292,906,600	\$ 7,120,772,800	\$ 7,120,772,800	\$ 7,120,772,800	\$ 7,972,993,500	\$ 7,972,993,500
Debt Limit -5% of Equalized Valuation.....	\$ 387,862,300	\$ 387,862,300	\$ 370,283,235	\$ 364,645,330	\$ 364,645,330	\$ 356,038,640	\$ 356,038,640	\$ 356,038,640	\$ 398,649,675	\$ 398,649,675
Less:										
Outstanding debt applicable to limit.....	67,875,220	66,300,155	67,504,073	65,805,248	67,161,942	68,448,149	64,939,228	58,166,832	55,577,799	62,265,500
Authorized and unissued debt.....	26,227,148	26,655,148	66,704,000	71,307,000	61,724,000	22,637,678	34,648,553	25,480,303	44,285,856	55,550,553
Legal debt margin.....	\$ 293,759,932	\$ 294,906,997	\$ 236,075,162	\$ 227,533,082	\$ 235,759,388	\$ 264,952,813	\$ 256,450,859	\$ 272,391,505	\$ 298,786,020	\$ 280,833,622
Total debt applicable to the limit as a percentage of debt limit.....	24.26%	23.97%	36.24%	37.60%	35.35%	25.58%	27.97%	23.49%	25.05%	29.55%

Source: Official Statement for Sale of Bonds

**Demographic and Economic Statistics**

**Last Ten Years**

<b>Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
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	\$ 2,212,946,253	\$ 66,653	39.5	6.2%
2012	33,201	\$ 2,257,205,178	\$ 67,986	39.5	4.9%
2013	31,656	\$ 2,195,210,050	\$ 69,346	39.5	4.9%
2014	31,939	\$ 2,259,131,604	\$ 70,733	39.5	4.9%
2015	31,617	\$ 2,281,071,699	\$ 72,147	39.5	4.0%
2016	35,299	\$ 2,597,688,709	\$ 73,591	39.5	3.6%
2017	35,490	\$ 2,663,985,870	\$ 75,063	39.5	3.7%
2018	32,323	\$ 2,474,778,172	\$ 76,564	39.0	2.8%

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

**Principal Employers (excluding Town)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2018			2009		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	4,500	1	16%	3,300	1	10%
Philips Electro No Amer Corp. (Agilent)	Medical Electronics	2,200	2	8%	2,600	2	8%
Internal Revenue Services	Regional Service Center	1,975	3	7%	2,340	3	7%
Pfizer	Biotechnology Research & Manufacturing	1,100	4	4%	-	-	-
Putnam Investments	Mutual Funds	900	5	3%	1,000	6	3%
Vicor	Computer Equipment	850	6	3%	818	7	2%
Schneider Electric Software	Energy Management	735	7	3%	-	-	-
Verizon	Communications	600	8	2%	790	8	2%
Philips Academy	Private School	555	9	2%	1,186	5	4%
Hewlett Packard (Compaq)	Computer Equipment	500	10	2%	500	9	2%
Wyeth BioParma (formerly Genetics Institute)	Biotechnology Research & Manufacturing	-	-	-	1,335	4	4%
Enterasys	Data Processing Services	-	-	-	500	10	2%

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent Town Employees**

**Last Ten Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Full-Time Equivalents</u>										
Town.....	346	347	344	344	350	351	356	356	358	359
School.....	<u>794</u>	<u>768</u>	<u>772</u>	<u>762</u>	<u>799</u>	<u>867</u>	<u>862</u>	<u>874</u>	<u>884</u>	<u>900</u>
Total .....	<u>1,140</u>	<u>1,115</u>	<u>1,116</u>	<u>1,106</u>	<u>1,149</u>	<u>1,218</u>	<u>1,218</u>	<u>1,230</u>	<u>1,242</u>	<u>1,259</u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>General Government</b>										
Population.....	33,700	33,700	33,201	33,201	31,656	31,942	31,617	32,101	32,677	32,323
Registered Voters, Annual Town Election.....	20,505	20,705	20,705	20,705	22,828	22,944	22,442	23,302	24,326	23,855
<b>Town Clerk</b>										
Births.....	257	220	220	220	206	239	186	243	245	241
Marriages.....	116	122	122	122	133	134	90	137	123	136
Deaths.....	274	233	233	233	229	255	226	293	280	263
Dogs licensed.....	2,580	2,469	2,469	2,469	2,527	2,468	2,370	2,338	2,365	2,222
Fishing & Hunting Licenses .....	248	244	244	244	-	-	-	-	-	-
Business Certificates.....	95	70	70	70	78	168	95	111	112	158
New Voter Registrations.....	927	1,296	1,296	1,296	2,433	960	1,322	2,319	2,520	1,598
Passport Applications.....	613	531	531	531	-	-	-	-	-	-
<b>Public Safety</b>										
<b>Police</b>										
Documented calls for police services.....	24,876	34,495	34,495	34,495	33,863	35,514	28,179	28,017	29,964	31,430
Arrests.....	536	496	496	496	412	420	398	406	348	390
Domestic Abuse.....	51	45	45	45	53	52	43	48	62	65
Vandalism.....	154	130	130	130	131	108	108	123	96	124
Larceny.....	381	257	257	257	313	329	267	283	285	276
Assaults.....	36	40	40	40	49	42	38	30	83	42
Breaking & Entering.....	75	73	73	73	50	50	35	51	24	31
Motor Vehicle accidents.....	903	924	924	924	847	850	887	835	906	973
Parking tickets issued.....	6,433	5,187	5,187	5,187	5,072	5,389	4,200	3,825	3,424	3,799
Total number of animal complaints.....	732	713	713	713	693	578	688	806	829	731
<b>Fire</b>										
<b>Incidents</b>										
Fires.....	1,070	923	923	923	766	690	653	738	812	857
EMS Calls.....	2,895	2,696	2,696	2,696	2,746	2,740	3,160	3,131	3,214	3,522
Motor Vehicle Accidents.....	263	255	255	255	288	308	330	338	285	571
Hazardous Conditions.....	308	280	280	280	312	276	295	249	243	318
False Alarms & False Calls.....	816	752	752	752	748	685	728	740	796	913
Good Intent Calls.....	150	126	126	126	129	93	87	104	80	123
Mutual Aid (Fire Calls).....	26	29	29	29	34	32	37	49	54	39
Ambulance Mutual Aid Calls.....	25	51	51	51	116	102	142	112	124	119

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Fire Prevention Activities.....	1,202	939	939	939	945	1,754	1,008	916	914	1,982
Service Calls.....	2,090	408	408	408	499	425	619	619	651	599
Training.....	186	137	137	137	302	215	202	181	229	177
Co-Activation.....	131	141	141	141	130	146	155	119	124	149
Permits/certificates issued										
Smoke Detectors.....	446	450	450	450	574	575	600	651	897	744
Report Copies.....	71	60	60	60	48	58	74	64	82	89
Blasting Permits.....	-	2	2	2	-	2	2	3	3	2
Cutting/Welding Permits.....	20	31	31	31	31	34	48	41	44	56
Dumpster Permits.....	179	180	180	180	188	257	317	362	330	218
Fireworks Display Permits.....	2	1	1	1	2	3	4	4	4	6
Gunpowder Storage Permits.....	-	-	-	-	-	-	1	-	1	2
Liquid Gas Storage Permits.....	56	76	76	76	106	69	73	90	79	77
Flammable Liquid Storage Permits.....	27	47	47	47	47	46	61	55	67	72
Miscellaneous Permits.....	25	-	-	-	-	6	73	3	5	7
Open Air Burning Permits.....	489	519	519	519	365	255	222	267	246	364
Oil Burner Install Permits.....	117	147	147	147	100	113	98	110	79	92
Commercial Fire Alarm Systems.....	53	68	68	68	58	124	27	40	42	8
Special Suppression System Permits.....	-	2	2	2	6	13	2	6	5	3
Sprinkler Install Permits.....	47	72	72	72	90	64	41	64	55	26
Underground Tank Re-certification.....	4	18	18	18	14	19	6	N/A	N/A	N/A
Underground Tank Removals.....	54	58	58	58	91	67	68	82	4	3
Building Department										
Permits issued.....	1,191	1,345	1,345	1,345	1,252	1,652	1,771	1,994	1,940	2,020
Education										
Public school enrollment.....	6,171	6,121	6,121	6,121	6,262	6,110	6,076	6,075	5,991	5,924
Public Works										
Cemetery										
Lots sold.....	61	33	33	33	70	40	55	74	48	34
Interments/cremations.....	70	75	75	75	84	64	70	80	71	81

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Human Services										
Board of Health										
Plan reviews.....	243	269	269	269	282	505	262	207	251	210
Inspections										
Restaurant .....	453	278	278	278	385	353	327	288	391	469
Environmental/Sanitary Code.....	346	322	322	322	418	403	448	311	532	622
Complaints investigated.....	114	138	138	138	101	98	99	108	133	127
Administrative Hearings.....	2	4	4	4	2	5	7	6	4	4
Council on Aging										
Home delivered meals served.....	17,794	25,589	25,589	25,589	21,012	22,764	22,992	23,108	23,044	26,194
Medical-van trips.....	1,082	1,399	1,399	1,399	1,502	1,352	1,366	1,865	1,461	1,295
Libraries										
Program attendance.....	16,429	16,664	16,664	16,664	17,016	22,570	25,473	32,214	33,483	33,593
Books & Periodicals.....	374,152	364,795	364,795	364,795	394,506	386,137	372,179	363,419	345,054	330,907
PC & Internet Use.....	67,362	76,124	76,124	76,124	65,780	53,965	49,220	47,060	50,054	62,400
Reference Questions.....	75,277	67,195	67,195	67,195	72,163	68,835	73,749	65,338	69,381	69,237
Non-Print Circulation.....	156,273	144,489	144,489	144,489	197,921	196,615	179,372	164,300	152,232	141,127
Sewer										
Service connections.....	6,200	6,200	6,200	6,200	6,200	6,200	5,900	6,534	6,518	6,559
Water										
Daily consumption (in million gallons).....	6.200	6.900	6.900	6.900	6.900	7.200	7.100	7.424	6.993	6.995
Source: Various Town Departments										(concluded)

**Capital Asset Statistics by Function/Program**

**Last Ten Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General Government										
Number of Buildings.....	16	16	16	16	16	16	20	20	19	19
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	3	3	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	235	235	222	223	258	258
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,369	2,374	2,382	2,382
Sanitary sewers (miles).....	146	146	146	146	146	146	137	137	137	150
Storm sewers (miles).....	80	80	80	80	80	80	120	120	120	176
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	14	20	20	20	21
Parks.....	4	4	4	4	4	4	6	6	9	9
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.1	4.4
Parks - Acreage.....	29.60	29.60	29.60	29.60	29.60	29.60	29.60	29.60	41	41
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	31	31	31	31	31	31	39	40	40	40
Tennis courts.....	10	10	10	10	10	10	11	11	11	11

Source: Various Town Departments

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

**Last Ten Years**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Levy Limit.....	\$ 97,209,952	\$ 101,350,979	\$ 104,729,225	\$ 109,075,475	\$ 112,609,324	\$ 117,859,068	\$ 124,235,546	\$ 129,300,643	\$ 134,306,796	\$ 140,458,434
Previous Levy.....	91,201,846	94,838,978	98,313,488	101,868,863	106,128,017	110,260,239	114,580,485	119,797,141	124,996,152	130,709,371
Legal Increase.....	2,280,046	2,370,974	2,457,837	2,546,722	2,653,200	2,756,506	2,864,512	2,994,929	3,124,904	3,267,734
New Growth.....	1,357,086	1,103,536	1,097,538	1,712,432	1,479,022	1,563,740	2,352,143	2,204,083	2,588,316	2,440,476
Debt Exclusion.....	3,173,848	3,037,491	2,860,362	2,947,458	2,349,085	3,278,583	4,438,406	4,304,490	3,597,424	4,040,852
Maximum Taxing Capacity...	<u>\$ 98,012,826</u>	<u>\$ 101,350,979</u>	<u>\$ 104,729,225</u>	<u>\$ 109,075,475</u>	<u>\$ 112,609,324</u>	<u>\$ 117,859,068</u>	<u>\$ 124,235,546</u>	<u>\$ 129,300,643</u>	<u>\$ 134,306,796</u>	<u>\$ 140,458,433</u>
Actual Levy.....	\$ 97,976,754	\$ 101,290,116	\$ 104,658,300	\$ 108,874,156	\$ 111,893,513	\$ 117,506,432	\$ 122,233,763	\$ 127,696,873	\$ 132,983,359	\$ 139,352,559
Unused Levy Capacity.....	\$ 36,072	\$ 60,863	\$ 70,925	\$ 201,319	\$ 715,811	\$ 352,636	\$ 2,001,783	\$ 1,603,770	\$ 1,323,436	\$ 1,105,875

Source: Assessor's Department, Town of Andover