

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



Design of the new Ballardvale Fire Station

For the Year Ended June 30, 2019

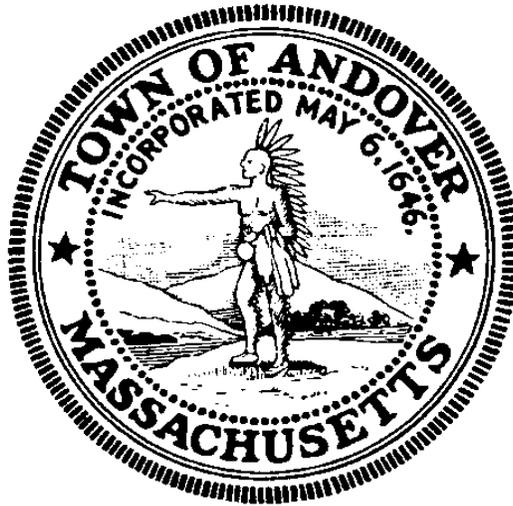


Merrimack Valley Gas Disaster

TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2019



Prepared by:

Hayley Green, Town Accountant / Assistant Finance Director

TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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Introductory Section



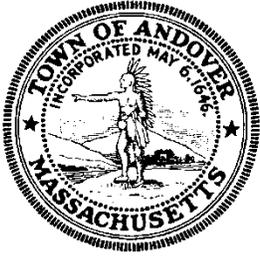
Municipal Services Facility



Ladder Truck

Introductory Section

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Town of Andover

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

Letter of Transmittal

November 13, 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, 2019 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, 2019, 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, 2019, 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, 2019 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Town

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

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

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

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

Andover is known for its forward-thinking government, committed to quality, responsiveness, and service. The Town's governing Charter was enacted by the Legislature in 1956, amended in 1974 and again in 2004. The Charter authorizes an Open Town Meeting-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.

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

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, Schneider Electric, Verizon, Phillips Academy, and Hewlett Packard. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$8.3 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

The development climate in Andover continues to reflect positive trends and activities. In April 2019, the Vicor Corporation received approval to expand their manufacturing headquarters by 87,000 square feet at 400 Federal Street. Town Meeting voters overwhelmingly approved a Tax Increment Financing agreement as part of the development.

In May 2019, Pfizer opened their new 178,000 square foot addition to their main campus. The addition is part of a long-term campus wide master plan that will eventually bring the site to 982,000 square feet.

With the demographics of Andover aging faster than most communities in the Commonwealth, two new senior housing facilities have recently opened. The Bridges at Andover, which opened in the summer of 2018, is a 63 unit congregate care facility focusing on memory care. The second project Stonehill of Andover, which opened in May 2019, consists of 96 units of assisted living and memory care. In addition, Riverside Woods, a housing development for people age 55 and over, is under construction at the site of the former Franciscan Center. Currently more than 100 units are occupied.

During FY2019, the Town experienced historic investment in its downtown with nearly 65,000 square feet of development. On Main Street, developers infused \$14,000,000 into a 47,000 square foot building. This helped to transform the public realm along Main Street by enlivening the streetscape with new commercial and office space which is now home to a restaurant, a spa and a fitness center. Also, Smythe & Dove, a modern steakhouse recently opened for business on Main Street. A new 9,872 square foot commercial building is also under construction on Park Street.

Construction of the new Municipal Services Facility at 5 Campanelli Drive was completed in March 2019. The relocation of the current Municipal Services Facility out of the downtown area allows for targeted economic growth and expansion of the downtown consistent with the newly adopted Historic Mill District. This zoning overlay district is intended to promote the redevelopment of a large area of approximately 100 acres between Main Street, Dundee Park, the Shawsheen River and the Whole Foods Grocery Store. The new district will help facilitate a highly controlled process that is in keeping with the character of the central business district while promoting opportunities for new retail, office and housing, expand the existing tax base, bolster property values and expand the downtown to the regional transit station. After a much public input, the Board of Selectmen recently voted to sell the land where the old Municipal Facilities building resides. The Town is currently in the process of developing a community authored Request for Proposal (RFP) that would allow for the disposition of the facility. The Town anticipates soliciting offers for this municipal land in the spring of 2020.

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

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

Given the number of years of reduced/or level state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$111.1 million worth of long and short-term debt. This indebtedness consists of approximately \$81.8 million of general government debt and \$29.3 million of enterprise fund debt, which is self-supporting through enterprise fund revenues.

The Town has authorized but unissued debt for school building improvements, land acquisition, landfill closure, water and sewer infrastructure and other various projects totaling \$42.5 million as of June 30, 2019.

The Town's Bond Premium Stabilization Fund totals \$1.1 million at June 30, 2019. 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 \$6.5 million as of June 30, 2019.

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 85% 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 43.20% 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 \$1.8 million to the OPEB Trust Fund in 2019 bringing the balance in the fund to \$12.5 million.

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

Annual budget process and control: The Town Manager is responsible for preparing and presenting the budget to the Finance Committee and the 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, 2018. This was the fifteenth 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 2019 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 2019 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, 2018

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Andover

Massachusetts

For the Fiscal Year Beginning

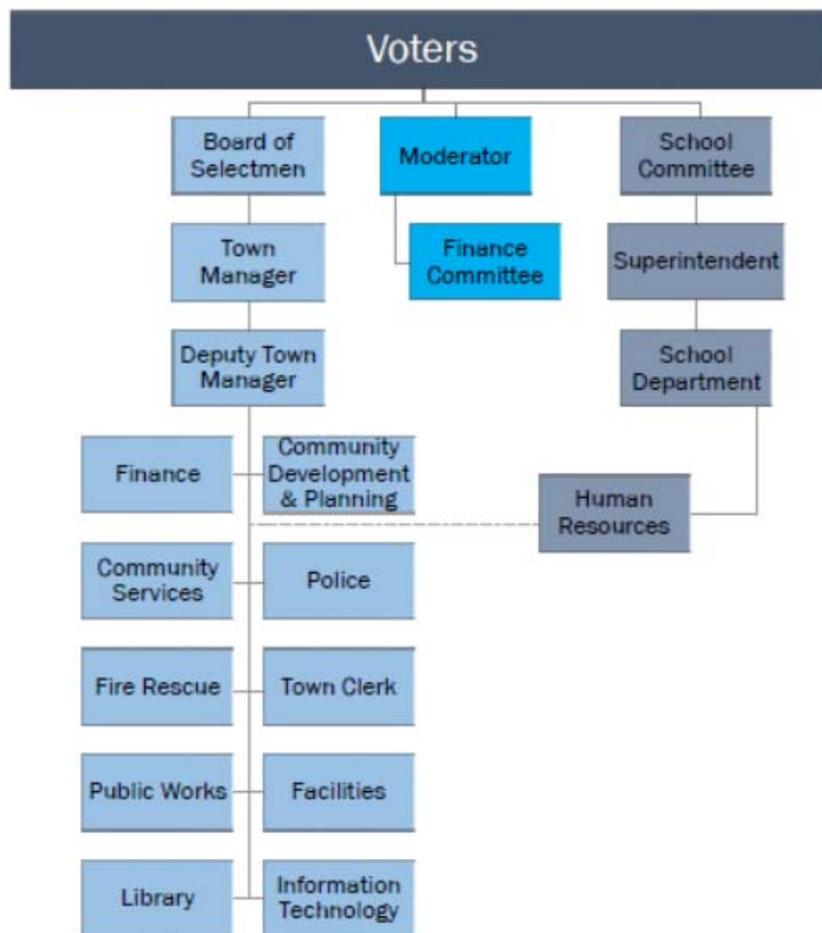
July 1, 2018

Christopher P. Morill

Executive Director

Town of Andover

ORGANIZATIONAL CHART



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

Principal Town Officials

Elected Officials

Board of Selectmen

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

Town Moderator

Sheila M. Doherty

School Committee

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

Appointed Officials

Town Manager

Andrew P. Flanagan

Superintendent of Schools

Dr. Sheldon Berman

Finance Director

Donna Walsh

Town Accountant/Assistant Finance Director

Hayley S. Green

Treasurer

Michael Morse

Town Assessor

David Billard

Town Clerk & Chief Strategy Officer

Austin P. Simko

Fire Chief

Michael B. Mansfield

Police Chief

Patrick Keefe

Human Resources Director

Candace A. Hall-Nourse

Library Director

Barbara McNamara

Director of Public Works

Christopher M. Cronin

Director of Facilities

Janet Nicosia

Chief Information Officer

Paul Puzanghera

Financial Section



Memorial Hall Library



Holt Hill

Financial Section

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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, 2019 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2018), 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, 2019 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 November 13, 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.



November 13, 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, 2019. 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 \$21.5 million which represents 12.3% of total general fund budgetary basis expenditures.
- For the government-wide financial statements, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent year by \$48.5 million (net position).
- The net OPEB liability decreased by \$17.9 million. This decrease can be attributed to an increase in the discount rate from 5.36% in 2018 to 6.00% in 2019, combined with the effect of a decrease in the employer contribution split from 55.00% to 50.01%.
- The net pension liability increased by \$17.8 million. This increase can be attributed to an \$11.8 million increase in the total pension liability and a \$6.1 million decrease in fiduciary net position. The increase in the total pension liability is attributable to current year service cost and interest offset by current year benefit payments. The decrease in fiduciary net position is attributable to a net loss on investments.
- The governmental deferred outflows/inflows of resources related to pensions, net resulted in an increase in net position of \$4.5 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 a decrease in net position of \$11.9 million; which will be recognized as expense over the next five years.
- The total gross debt (short-term and long-term combined) decreased by \$159,000 during the current year. This was due to the net effect of \$10.5 million in principal payments on outstanding debt, and the issuance of an additional \$10.3 million of debt.
- The Town contributed an additional \$1.8 million to the OPEB trust fund in 2019 and at year-end the trust fund had a net position of \$12.5 million.
- In 2019 Town reported extraordinary items consisting of \$19.4 million in reimbursements and \$1.7 million in expenses. These extraordinary items related to the gas explosions that occurred throughout the Town (See Note 15).

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 \$48.5 million at the close of 2019, which was an increase of \$16.9 million from the prior year.

Net position of \$162.4 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, \$11.0 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 \$221.9 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 \$97.8 million at the close of 2019, which was an increase of \$16.9 million from the prior year.

	2019	2018
Assets:		
Current assets.....	\$ 93,084,689	\$ 74,030,915
Noncurrent assets (excluding capital).....	327,888	294,535
Capital assets, non depreciable.....	34,884,265	46,740,986
Capital assets, net of accumulated depreciation....	162,597,197	147,825,730
Total assets.....	290,894,039	268,892,166
Deferred outflows of resources.....	32,038,644	38,470,441
Liabilities:		
Current liabilities (excluding debt).....	14,833,524	14,791,974
Noncurrent liabilities (excluding debt).....	308,214,683	309,343,760
Current debt.....	8,404,851	7,523,190
Noncurrent debt.....	77,240,392	77,659,917
Total liabilities.....	408,693,450	409,318,841
Deferred inflows of resources.....	12,079,258	12,813,797
Net position:		
Net investment in capital assets.....	118,786,722	114,397,564
Restricted.....	10,983,413	9,181,609
Unrestricted.....	(227,610,160)	(238,349,204)
Total net position.....	\$ (97,840,025)	\$ (114,770,031)
Program Revenues:		
Charges for services.....	\$ 16,280,383	\$ 15,764,787
Operating grants and contributions.....	35,549,412	35,595,338
Capital grants and contributions.....	372,995	2,589,849
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	144,265,717	138,291,617
Tax and other liens.....	678,899	324,654
Motor vehicle and other excise taxes.....	6,115,370	5,932,927
Hotel/motel tax.....	2,360,307	1,995,058
Meals tax.....	622,132	621,317
Penalties and interest on taxes.....	572,136	337,580
Grants and contributions not restricted to specific programs.....	2,099,148	2,034,338
Unrestricted investment income.....	1,348,115	553,617
Total revenues.....	210,264,614	204,041,082

	2019	2018
Expenses:		
General government.....	15,142,581	14,257,548
Public safety.....	30,810,933	31,300,955
Education.....	134,040,164	137,718,100
Municipal services.....	-	20,462,938
Public works.....	10,086,305	-
Public facilities.....	8,204,095	-
Community services.....	5,778,428	5,200,282
Library.....	4,392,675	4,629,860
Claims and judgments.....	13,500	-
Interest.....	2,540,131	1,893,346
Total expenses.....	211,008,812	215,463,029
Excess (Deficiency) before special items and transfers.....	(744,198)	(11,421,947)
Extraordinary item - gas disaster settlement funds....	19,381,109	-
Extraordinary item - gas disaster expenses.....	(1,706,855)	-
Change in net position.....	16,930,056	(11,421,947)
Net position, beginning of year.....	(114,770,031)	(103,348,084)
Net position, end of year.....	\$ (97,839,975)	\$ (114,770,031)

In 2019, the Town reorganized the municipal services department creating separate public works and public facilities departments.

The governmental expenses totaled \$211.0 million, of which \$52.2 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$158.1 million, primarily coming from property taxes, motor vehicle excise and other excise taxes, and non-restricted state aid.

The governmental net position increased by \$16.9 million during the current year. This increase was mainly due to a \$17.7 million increase from extraordinary items related to gas disaster settlement funds and expenses. (See the governmental funds section of the MD&A and Note 16 for additional information related to the gas disaster), a \$16.1 million decrease in the net OPEB liability, a \$4.5 million change in deferred outflows/inflows of resources related to pensions, net, a \$1.4 million decrease in the landfill liability, a \$3.0 million increase in the internal service fund, and a \$7.3 million increase in the 2019 capital article funded by a transfer of general fund reserves. These increases were offset by a \$17.1 million increase in the net pension liability and a \$11.9 million change in deferred outflows/inflows of resources related to OPEB, net.

Business-Type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49.3 million at the close of 2019.

	2019	2018
Assets:		
Current assets.....	\$ 20,808,159	\$ 21,848,776
Noncurrent assets (excluding capital).....	4,066,867	4,756,995
Capital assets, non depreciable.....	1,674,280	3,476,393
Capital assets, net of accumulated depreciation....	69,328,044	66,421,582
Total assets.....	95,877,350	96,503,746
Deferred outflows of resources.....	1,851,636	2,239,154
Liabilities:		
Current liabilities (excluding debt).....	776,664	749,114
Noncurrent liabilities (excluding debt).....	16,546,270	17,355,198
Current debt.....	5,826,375	3,737,077
Noncurrent debt.....	24,173,541	26,899,917
Total liabilities.....	47,322,850	48,741,306
Deferred inflows of resources.....	1,060,833	640,438
Net position:		
Net investment in capital assets.....	43,602,463	42,038,002
Unrestricted.....	5,742,840	7,323,154
Total net position.....	\$ 49,345,303	\$ 49,361,156
	2019	2018
Program Revenues:		
Charges for services.....	\$ 13,640,061	\$ 13,926,860
Capital grants and contributions.....	-	247,000
General Revenues:		
Unrestricted investment income.....	132,892	82,864
Total revenues.....	13,772,953	14,256,724
Expenses:		
Water.....	9,205,318	10,160,951
Sewer.....	4,583,488	5,010,158
Total expenses.....	13,788,806	15,171,109
Change in net position.....	(15,853)	(914,385)
Net position, beginning of year.....	49,361,156	50,275,541
Net position, end of year.....	\$ 49,345,303	\$ 49,361,156

Business-type net position of \$43.6 million (88%) represents the investment in capital assets while \$5.7 million (12%) is unrestricted. The Town's business-type net position decreased by \$16,000 in the current year.

The water department net position decreased by \$421,000. The decrease is primarily due to a \$755,000 change in deferred outflows/inflows of resources related to OPEB, net, a \$597,000 increase in the net pension liability, and depreciation expense exceeding debt principal payments raised in the water rates by \$716,000. These decreases were offset by a \$1.1 million decrease in the net OPEB liability.

The sewer department net position increased by \$405,000. The increase is primarily due to a decrease in the net OPEB liability of \$227,000, and debt principal raised in the sewer rates exceeding depreciation expense by \$767,000. These increases were offset by a \$156,000 change in deferred outflows/inflows of resources related to OPEB, net, and a \$90,000 increase in the net pension liability.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$66.1 million, which is comprised of \$21.5 million in the general fund, \$14.6 million in the gas disaster paving restoration fund, \$2.4 million in the gas disaster mitigation fund, \$647,000 in the gas disaster reimbursement fund, and \$27.0 million in the nonmajor governmental funds. Cumulatively there was an increase of \$20.7 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 \$18.5 million, while total fund balance was \$21.5 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 \$300,000, which was due to a \$401,000 decrease from the recognition of real estate and personal property tax revenue received within 60 days of year-end, and a \$485,000 decrease in the general stabilization fund; which is recorded in the general fund for GAAP. These decreases were offset by a \$643,000 increase in budgetary operating results.

The Highway Construction fund accounts for a state reimbursement grant to support highway construction. The Town expended \$1.8 million for approved projects and recognized state grant revenue of the same amount.

In 2019, in accordance with a Settlement Agreement with Columbia Gas following a gas explosion (See Note 15 for further information), the Town received \$13,965,000 and \$3,000,000, which have been reported in the Gas Disaster Paving Restoration Fund and Gas Disaster Mitigation Fund, respectively. On June 19, 2019, the Town voted to appropriate the paving and mitigation funds in accordance with the settlement agreement; including the appropriation of \$600,000 of the mitigation fees for paving and street design. These funds have been transferred to the Gas Disaster Paving Restoration Fund to consolidate the paving costs. The Town anticipates that the expenditure of the paving and mitigation funds will begin in 2020. The Town has also submitted \$2,444,004 of claims for reimbursement to Columbia for direct substantiated losses including expenditures totaling \$1,734,750, lost parking revenues totaling \$62,569, vehicle depreciation totaling \$124,972 and waived permit fees totaling \$521,713. Of these amounts, the Town has received \$2,367,640 of reimbursements and \$76,364 of expenditures were not reimbursed because the funds were encumbered at year-end but were not expended at the time that the

reimbursement request was made. In 2019, expenditures charged to the Gas Disaster Reimbursement fund are \$1,706,855, which includes \$48,469 of reimbursable expenditures that were not submitted for reimbursement as of June 30, 2019. Accordingly, the Town has recorded a receivable to reflect the anticipated reimbursement of these expenditures.

The nonmajor funds experienced an increase of \$3.4 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 2019 approved budget authorized \$179.9 million in appropriations and other amounts to be raised. During 2019, Town Meeting also approved supplemental appropriations totaling \$3.6 million. The purpose of the supplemental appropriations was to fund capital project expenditures and property revaluations.

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 land, construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$12.0 million.
- Business-type activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$4.5 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, 2019, outstanding long-term debt for governmental activities totaled \$84.9 million, of which \$44.2 million is related to school projects, \$28.7 million is for municipal services, 3.4 million is for land acquisition, \$3.2 million is for public safety projects, \$1.7 million is for culture and recreation projects, and the remaining balance of \$3.7 million relates to unamortized bond premiums. The Town issued \$6.6 million of governmental bonds in 2019.

The sewer and water enterprise funds have outstanding long-term debt totaling \$12.1 million and \$15.8 million, respectively. \$1.0 million of new long-term debt was issued in 2019 for water infrastructure improvements. The debt is fully supported by rates and does not rely on a general fund subsidy.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2019

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 73,301,270	\$ 15,952,707	\$ 89,253,977
Investments.....	9,378,762	-	9,378,762
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,966,386	-	1,966,386
Tax liens.....	2,449,161	46,447	2,495,608
Motor vehicle and other excise taxes.....	518,606	-	518,606
User charges.....	-	4,235,899	4,235,899
Departmental and other.....	885,332	-	885,332
Intergovernmental.....	4,326,080	-	4,326,080
Special assessments.....	-	573,106	573,106
Tax foreclosures.....	259,092	-	259,092
Total current assets.....	<u>93,084,689</u>	<u>20,808,159</u>	<u>113,892,848</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	327,888	-	327,888
Special assessments.....	-	4,066,867	4,066,867
Capital assets, nondepreciable.....	34,884,265	1,674,280	36,558,545
Capital assets, net of accumulated depreciation.....	<u>162,597,197</u>	<u>69,328,044</u>	<u>231,925,241</u>
Total noncurrent assets.....	<u>197,809,350</u>	<u>75,069,191</u>	<u>272,878,541</u>
TOTAL ASSETS.....	<u>290,894,039</u>	<u>95,877,350</u>	<u>386,771,389</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	145,474	91,602	237,076
Deferred outflows related to pensions.....	24,534,135	1,137,470	25,671,605
Deferred outflows related to other postemployment benefits.....	<u>7,359,035</u>	<u>622,564</u>	<u>7,981,599</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>32,038,644</u>	<u>1,851,636</u>	<u>33,890,280</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,257,916	243,659	2,501,575
Accrued payroll.....	6,646,522	44,349	6,690,871
Health claims payable.....	1,912,000	-	1,912,000
Tax refunds payable.....	393,000	-	393,000
Due to other governments.....	64,606	89,829	154,435
Accrued interest.....	861,273	220,588	1,081,861
Liabilities due depositors.....	-	10,239	10,239
Other liabilities.....	611,207	-	611,207
Landfill closure.....	309,000	-	309,000
Compensated absences.....	1,768,000	168,000	1,936,000
Workers' compensation.....	10,000	-	10,000
Capital lease obligations.....	89,883	-	89,883
Notes payable.....	620,000	2,100,000	2,720,000
Bonds payable.....	<u>7,694,968</u>	<u>3,726,375</u>	<u>11,421,343</u>
Total current liabilities.....	<u>23,238,375</u>	<u>6,603,039</u>	<u>29,841,414</u>
NONCURRENT:			
Due to other governments.....	-	630,575	630,575
Landfill closure.....	13,831,000	-	13,831,000
Compensated absences.....	2,960,000	185,000	3,145,000
Workers' compensation.....	89,000	-	89,000
Net pension liability.....	172,360,877	6,930,701	179,291,578
Net other postemployment benefits liability.....	118,973,806	8,799,994	127,773,800
Capital lease obligations.....	46,131	-	46,131
Bonds payable.....	<u>77,194,261</u>	<u>24,173,541</u>	<u>101,367,802</u>
Total noncurrent liabilities.....	<u>385,455,075</u>	<u>40,719,811</u>	<u>426,174,886</u>
TOTAL LIABILITIES.....	<u>408,693,450</u>	<u>47,322,850</u>	<u>456,016,300</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes paid in advance.....	45,745	-	45,745
Deferred inflows related to pensions.....	2,179,984	227,237	2,407,221
Deferred inflows related to other postemployment benefits.....	<u>9,853,529</u>	<u>833,596</u>	<u>10,687,125</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>12,079,258</u>	<u>1,060,833</u>	<u>13,140,091</u>
NET POSITION			
Net investment in capital assets.....	118,786,722	43,602,463	162,389,185
Restricted for:			
Debt service.....	529,791	-	529,791
Permanent funds:			
Expendable.....	706,201	-	706,201
Nonexpendable.....	1,293,426	-	1,293,426
Gifts and grants.....	8,453,995	-	8,453,995
Unrestricted.....	<u>(227,610,160)</u>	<u>5,742,840</u>	<u>(221,867,320)</u>
TOTAL NET POSITION.....	<u>\$ (97,840,025)</u>	<u>\$ 49,345,303</u>	<u>\$ (48,494,722)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 15,142,581	\$ 1,797,246	\$ 796,135	\$ -	\$ (12,549,200)
Public safety.....	30,810,933	6,412,569	183,071	-	(24,215,293)
Education.....	134,040,164	5,590,885	33,838,320	-	(94,610,959)
Public works.....	10,086,305	330,803	57,865	342,764	(9,354,873)
Public facilities.....	8,204,095	35,656	-	-	(8,168,439)
Community services.....	5,778,428	2,108,730	563,533	30,231	(3,075,934)
Library.....	4,392,675	4,494	110,488	-	(4,277,693)
Claims and judgments.....	13,500	-	-	-	(13,500)
Interest.....	2,540,131	-	-	-	(2,540,131)
Total Governmental Activities.....	211,008,862	16,280,383	35,549,412	372,995	(158,806,072)
<i>Business-Type Activities:</i>					
Water.....	9,205,318	8,706,157	-	-	(499,161)
Sewer.....	4,583,488	4,933,904	-	-	350,416
Total Business-Type Activities.....	13,788,806	13,640,061	-	-	(148,745)
Total Primary Government.....	\$ 224,797,668	\$ 29,920,444	\$ 35,549,412	\$ 372,995	\$ (158,954,817)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (158,806,072)	\$ (148,745)	\$ (158,954,817)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	144,265,717	-	144,265,717
Tax and other liens.....	678,899	-	678,899
Motor vehicle and other excise taxes.....	6,115,370	-	6,115,370
Hotel/motel tax.....	2,360,307	-	2,360,307
Meals tax.....	622,132	-	622,132
Penalties and interest on taxes.....	572,136	-	572,136
Grants and contributions not restricted to specific programs.....	2,099,148	-	2,099,148
Unrestricted investment income.....	1,348,115	132,892	1,481,007
<i>Extraordinary items - gas disaster settlement funds.....</i>	19,381,109	-	19,381,109
<i>Extraordinary items - gas disaster expenses.....</i>	(1,706,855)	-	(1,706,855)
Total general revenues and extraordinary items.....	<u>175,736,078</u>	<u>132,892</u>	<u>175,868,970</u>
Change in net position.....	16,930,006	(15,853)	16,914,153
<i>Net position:</i>			
Beginning of year.....	<u>(114,770,031)</u>	<u>49,361,156</u>	<u>(65,408,875)</u>
End of year.....	\$ <u><u>(97,840,025)</u></u>	\$ <u><u>49,345,303</u></u>	\$ <u><u>(48,494,722)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 21,296,799	\$ -	\$ 14,565,000	\$ 2,400,000	\$ 601,007	\$ 25,758,502	\$ 64,621,308
Investments.....	7,613,496	-	-	-	-	1,765,266	9,378,762
Receivables, net of uncollectibles:							
Real estate and personal property taxes.....	1,966,386	-	-	-	-	-	1,966,386
Tax liens.....	2,449,161	-	-	-	-	-	2,449,161
Motor vehicle and other excise taxes.....	518,606	-	-	-	-	-	518,606
Departmental and other.....	727,583	-	-	-	48,469	194,709	970,761
Intergovernmental.....	-	3,592,698	-	-	-	733,382	4,326,080
Tax foreclosures.....	259,092	-	-	-	-	-	259,092
Due from other funds.....	460,999	-	-	-	-	-	460,999
TOTAL ASSETS.....	\$ 35,292,122	\$ 3,592,698	\$ 14,565,000	\$ 2,400,000	\$ 649,476	\$ 28,451,859	\$ 84,951,155
LIABILITIES							
Warrants payable.....	\$ 1,176,179	\$ 17,519	\$ -	\$ -	\$ 1,470	\$ 394,836	\$ 1,590,004
Accrued payroll.....	6,444,722	-	-	-	1,321	200,479	6,646,522
Tax refunds payable.....	393,000	-	-	-	-	-	393,000
Due to other funds.....	-	460,999	-	-	-	-	460,999
Due to other governments.....	64,606	-	-	-	-	-	64,606
Other liabilities.....	18,325	-	-	-	-	-	18,325
Notes payable.....	-	-	-	-	-	620,000	620,000
TOTAL LIABILITIES.....	8,096,832	478,518	-	-	2,791	1,215,315	9,793,456
DEFERRED INFLOWS OF RESOURCES							
Taxes paid in advance.....	45,745	-	-	-	-	-	45,745
Unavailable revenue.....	5,678,610	3,114,180	-	-	-	191,392	8,984,182
TOTAL DEFERRED INFLOWS OF RESOURCES.....	5,724,355	3,114,180	-	-	-	191,392	9,029,927
FUND BALANCES							
Nonspendable.....	-	-	-	-	-	1,293,426	1,293,426
Restricted.....	529,791	-	14,565,000	2,400,000	646,685	25,751,726	43,893,202
Committed.....	1,250,674	-	-	-	-	-	1,250,674
Assigned.....	1,194,620	-	-	-	-	-	1,194,620
Unassigned.....	18,495,850	-	-	-	-	-	18,495,850
TOTAL FUND BALANCES.....	21,470,935	-	14,565,000	2,400,000	646,685	27,045,152	66,127,772
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 35,292,122	\$ 3,592,698	\$ 14,565,000	\$ 2,400,000	\$ 649,476	\$ 28,451,859	\$ 84,951,155

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....		\$ 66,127,772
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		197,481,462
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		8,984,182
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.....		20,005,131
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		5,650,627
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(861,273)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(84,889,229)	
Net pension liability.....	(172,360,877)	
Net other postemployment benefits liability.....	(118,973,806)	
Landfill closure.....	(14,140,000)	
Capital lease obligations.....	(136,014)	
Compensated absences.....	<u>(4,728,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(395,227,926)</u>
Net position of governmental activities.....		<u>\$ (97,840,025)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 144,045,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,045,522
Tax liens.....	243,275	-	-	-	-	-	243,275
Motor vehicle and other excise taxes.....	6,176,998	-	-	-	-	-	6,176,998
Hotel/motel tax.....	2,360,307	-	-	-	-	-	2,360,307
Meals tax.....	622,132	-	-	-	-	-	622,132
Charges for services.....	-	-	-	-	-	1,012,692	1,012,692
Penalties and interest on taxes.....	572,136	-	-	-	-	-	572,136
Licenses and permits.....	2,496,171	-	-	-	-	-	2,496,171
Intergovernmental - School Building Authority.....	-	-	-	-	-	1,239,504	1,239,504
Intergovernmental - Teachers Retirement.....	17,926,816	-	-	-	-	-	17,926,816
Intergovernmental.....	13,228,885	1,846,612	-	-	-	6,289,341	21,364,838
Departmental and other.....	3,585,874	-	-	-	-	9,525,640	13,111,514
Contributions and donations.....	-	-	-	-	-	93,800	93,800
Investment income.....	1,100,907	-	-	-	-	190,677	1,291,584
TOTAL REVENUES.....	192,359,023	1,846,612	-	-	-	18,351,654	212,557,289
EXPENDITURES:							
Current:							
General government.....	7,718,038	-	-	-	-	1,064,529	8,782,567
Public safety.....	16,728,590	-	-	-	-	2,378,628	19,107,218
Education.....	83,220,993	-	-	-	-	9,405,942	92,626,935
Public works.....	7,964,566	1,846,612	-	-	-	56,438	9,867,616
Public facilities.....	3,193,697	-	-	-	-	185,620	3,379,317
Community services.....	2,310,051	-	-	-	-	1,761,490	4,071,541
Library.....	2,742,863	-	-	-	-	67,865	2,810,728
Pension benefits.....	9,960,789	-	-	-	-	-	9,960,789
Pension benefits - Teachers Retirement.....	17,926,816	-	-	-	-	-	17,926,816
Property and liability insurance.....	1,370,444	-	-	-	-	-	1,370,444
Employee benefits.....	21,873,978	-	-	-	-	-	21,873,978
Claims and judgments.....	13,500	-	-	-	-	-	13,500
State and county charges.....	831,295	-	-	-	-	-	831,295
Capital outlay.....	-	-	-	-	-	14,392,709	14,392,709
Debt service:							
Principal.....	6,901,604	-	-	-	-	-	6,901,604
Interest.....	2,969,794	-	-	-	-	-	2,969,794
TOTAL EXPENDITURES.....	185,727,018	1,846,612	-	-	-	29,313,221	216,886,851
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	6,632,005	-	-	-	-	(10,961,567)	(4,329,562)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	-	-	-	6,585,000	6,585,000
Premium from issuance of bonds.....	-	-	-	-	-	770,833	770,833
Transfers in.....	403,520	-	600,000	-	-	8,243,869	9,247,389
Transfers out.....	(7,335,077)	-	-	(600,000)	(62,569)	(1,249,743)	(9,247,389)
TOTAL OTHER FINANCING SOURCES (USES).....	(6,931,557)	-	600,000	(600,000)	(62,569)	14,349,959	7,355,833
EXTRAORDINARY ITEMS:							
Gas disaster settlement funds.....	-	-	13,965,000	3,000,000	2,416,109	-	19,381,109
Gas disaster expenses.....	-	-	-	-	(1,706,855)	-	(1,706,855)
TOTAL EXTRAORDINARY ITEMS.....	-	-	13,965,000	3,000,000	709,254	-	17,674,254
NET CHANGE IN FUND BALANCES.....	(299,552)	-	14,565,000	2,400,000	646,685	3,388,392	20,700,525
FUND BALANCES AT BEGINNING OF YEAR.....	21,770,487	-	-	-	-	23,656,760	45,427,247
FUND BALANCES AT END OF YEAR.....	\$ 21,470,935	\$ -	\$ 14,565,000	\$ 2,400,000	\$ 646,685	\$ 27,045,152	\$ 66,127,772

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, 2019

Net change in fund balances - total governmental funds.....		\$ 20,700,525
<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.....	11,956,429	
Depreciation expense.....	<u>(9,041,683)</u>	
Net effect of reporting capital assets.....		2,914,746
<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>		
		(2,349,206)
<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.....	86,801	
Issuance of bonds.....	(6,585,000)	
Premium from issuance of bonds.....	(770,833)	
Net amortization of premium from issuance of bonds.....	525,292	
Net change in deferred charge on refunding.....	(77,623)	
Debt service principal payments.....	<u>6,901,604</u>	
Net effect of reporting long-term debt.....		80,241
<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.....	(939,000)	
Net change in accrued interest on long-term debt.....	(18,005)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	4,507,692	
Net change in net pension liability.....	(17,085,755)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(11,878,993)	
Net change in net other postemployment benefits liability.....	16,621,832	
Net change in landfill closure.....	<u>1,400,000</u>	
Net effect of recording long-term liabilities.....		(7,392,229)
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,975,929</u>
Change in net position of governmental activities.....		<u>\$ 16,930,006</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 10,449,641	\$ 5,503,066	\$ 15,952,707	\$ 8,679,962
Receivables, net of allowance for uncollectibles:				
Liens - user charges.....	27,121	19,326	46,447	-
User charges.....	2,905,280	1,330,619	4,235,899	-
Departmental and other.....	-	-	-	242,459
Special assessments.....	-	573,106	573,106	-
Total current assets.....	<u>13,382,042</u>	<u>7,426,117</u>	<u>20,808,159</u>	<u>8,922,421</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	4,066,867	4,066,867	-
Capital assets, non depreciable.....	1,407,857	266,423	1,674,280	-
Capital assets, net of accumulated depreciation.....	<u>37,221,540</u>	<u>32,106,504</u>	<u>69,328,044</u>	<u>-</u>
Total noncurrent assets.....	<u>38,629,397</u>	<u>36,439,794</u>	<u>75,069,191</u>	<u>-</u>
TOTAL ASSETS.....	<u>52,011,439</u>	<u>43,865,911</u>	<u>95,877,350</u>	<u>8,922,421</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding.....	20,448	71,154	91,602	-
Deferred outflows related to pensions.....	1,012,827	124,643	1,137,470	-
Deferred outflows related to other postemployment benefits.....	<u>511,620</u>	<u>110,944</u>	<u>622,564</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,544,895</u>	<u>306,741</u>	<u>1,851,636</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	189,448	54,211	243,659	667,912
Accrued payroll.....	40,035	4,314	44,349	-
Health claims payable.....	-	-	-	1,912,000
Due to other governments.....	89,829	-	89,829	-
Liabilities due depositors.....	-	10,239	10,239	-
Accrued interest.....	126,583	94,005	220,588	-
Other liabilities.....	-	-	-	592,882
Compensated absences.....	156,000	12,000	168,000	-
Workers' compensation.....	-	-	-	10,000
Notes payable.....	2,100,000	-	2,100,000	-
Bonds payable.....	<u>1,741,328</u>	<u>1,985,047</u>	<u>3,726,375</u>	<u>-</u>
Total current liabilities.....	<u>4,443,223</u>	<u>2,159,816</u>	<u>6,603,039</u>	<u>3,182,794</u>
NONCURRENT:				
Due to other governments.....	630,575	-	630,575	-
Compensated absences.....	184,000	1,000	185,000	-
Workers' compensation.....	-	-	-	89,000
Net pension liability.....	6,018,697	912,004	6,930,701	-
Net other postemployment benefits liability.....	7,322,311	1,477,683	8,799,994	-
Bonds payable.....	<u>14,076,908</u>	<u>10,096,633</u>	<u>24,173,541</u>	<u>-</u>
Total noncurrent liabilities.....	<u>28,232,491</u>	<u>12,487,320</u>	<u>40,719,811</u>	<u>89,000</u>
TOTAL LIABILITIES.....	<u>32,675,714</u>	<u>14,647,136</u>	<u>47,322,850</u>	<u>3,271,794</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	38,344	188,893	227,237	-
Deferred inflows related to other postemployment benefits.....	<u>685,045</u>	<u>148,551</u>	<u>833,596</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>723,389</u>	<u>337,444</u>	<u>1,060,833</u>	<u>-</u>
NET POSITION				
Net investment in capital assets.....	21,819,946	21,782,517	43,602,463	-
Unrestricted.....	<u>(1,662,715)</u>	<u>7,405,555</u>	<u>5,742,840</u>	<u>5,650,627</u>
TOTAL NET POSITION.....	<u>\$ 20,157,231</u>	<u>\$ 29,188,072</u>	<u>\$ 49,345,303</u>	<u>\$ 5,650,627</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
OPERATING REVENUES:				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 7,434,525
Employer contributions.....	-	-	-	21,339,590
Charges for services.....	8,706,157	4,933,904	13,640,061	-
Other operating revenues.....	-	-	-	51,072
TOTAL OPERATING REVENUES	8,706,157	4,933,904	13,640,061	28,825,187
OPERATING EXPENSES:				
Cost of services and administration.....	2,786,145	2,384,429	5,170,574	-
Salaries and wages.....	2,717,453	536,052	3,253,505	-
Property and liability insurance.....	-	-	-	4,943
Depreciation.....	2,247,843	1,103,017	3,350,860	-
Employee benefits.....	1,178,808	127,311	1,306,119	25,900,846
TOTAL OPERATING EXPENSES.....	8,930,249	4,150,809	13,081,058	25,905,789
OPERATING INCOME (LOSS).....	(224,092)	783,095	559,003	2,919,398
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	78,549	54,343	132,892	56,531
Interest expense.....	(275,069)	(432,679)	(707,748)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(196,520)	(378,336)	(574,856)	56,531
CHANGE IN NET POSITION.....	(420,612)	404,759	(15,853)	2,975,929
NET POSITION AT BEGINNING OF YEAR.....	20,577,843	28,783,313	49,361,156	2,674,698
NET POSITION AT END OF YEAR.....	\$ 20,157,231	\$ 29,188,072	\$ 49,345,303	\$ 5,650,627

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 9,034,629	\$ 5,175,839	\$ 14,210,468	\$ 7,434,525
Receipts from interfund services provided.....	-	-	-	21,270,839
Payments to vendors.....	(2,971,222)	(2,377,311)	(5,348,533)	(4,943)
Payments to employees.....	(2,661,846)	(560,588)	(3,222,434)	-
Payments for interfund services used.....	(973,112)	(197,422)	(1,170,534)	(25,830,381)
NET CASH FROM OPERATING ACTIVITIES.....	<u>2,428,449</u>	<u>2,040,518</u>	<u>4,468,967</u>	<u>2,870,040</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	3,100,000	-	3,100,000	-
Premium from the issuance of bonds.....	201,107	-	201,107	-
Acquisition and construction of capital assets.....	(4,292,252)	(162,957)	(4,455,209)	-
Principal payments on bonds and notes.....	(1,692,258)	(1,870,000)	(3,562,258)	-
Interest expense.....	(566,682)	(479,276)	(1,045,958)	-
Special assessments.....	-	699,055	699,055	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(3,250,085)</u>	<u>(1,813,178)</u>	<u>(5,063,263)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	78,549	54,343	132,892	56,531
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	<u>(743,087)</u>	<u>281,683</u>	<u>(461,404)</u>	<u>2,926,571</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>11,192,728</u>	<u>5,221,383</u>	<u>16,414,111</u>	<u>5,753,391</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 10,449,641</u>	<u>\$ 5,503,066</u>	<u>\$ 15,952,707</u>	<u>\$ 8,679,962</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (224,092)	\$ 783,095	\$ 559,003	\$ 2,919,398
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	2,247,843	1,103,017	3,350,860	-
Deferred (outflows)/inflows related to pensions.....	(61,189)	(89,013)	(150,202)	-
Deferred (outflows)/inflows related to other postemployment benefits.....	755,292	155,594	910,886	-
Due to other governments.....	(95,300)	-	(95,300)	-
Changes in assets and liabilities:				
Liens - user charges.....	12,852	8,810	21,662	-
User charges.....	315,620	233,004	548,624	-
Departmental and other.....	-	-	-	(119,823)
Warrants payable.....	(89,777)	7,118	(82,659)	512,704
Accrued payroll.....	1,607	(1,536)	71	-
Health claims payable.....	-	-	-	28,000
Liabilities due depositors.....	-	121	121	-
Other liabilities.....	-	-	-	60,761
Compensated absences.....	54,000	(23,000)	31,000	-
Workers' compensation.....	-	-	-	(531,000)
Net pension liability.....	596,620	90,405	687,025	-
Net other postemployment benefits.....	(1,085,027)	(227,097)	(1,312,124)	-
Total adjustments.....	<u>2,652,541</u>	<u>1,257,423</u>	<u>3,909,964</u>	<u>(49,358)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 2,428,449</u>	<u>\$ 2,040,518</u>	<u>\$ 4,468,967</u>	<u>\$ 2,870,040</u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Change in the deferred loss on debt refunding.....	\$ (10,628)	\$ (36,601)	(47,229)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 686,472	\$ 178,880	\$ 1,173,123
Investments:			
Investments in Pension Reserve Investment Trust.....	113,664,373	-	-
Government sponsored enterprises.....	-	1,601,229	-
Mutual funds.....	35,671,243	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	85,329	-	-
TOTAL ASSETS.....	150,107,417	1,780,109	1,173,123
LIABILITIES			
Warrants payable.....	20,494	-	-
Liabilities due depositors.....	-	-	1,173,123
TOTAL LIABILITIES.....	20,494	-	1,173,123
NET POSITION			
Restricted for pensions.....	137,594,639	-	-
Restricted for other postemployment benefits.....	12,492,284	-	-
Held in trust for other purposes.....	-	1,780,109	-
TOTAL NET POSITION.....	\$ 150,086,923	\$ 1,780,109	\$ -

See notes to basic financial statements.

(1) Pension as of December 31, 2018.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 12,276,453	\$ -
Employer contributions for other postemployment benefit payments...	4,985,511	-
Member contributions.....	4,025,018	-
Transfers from other systems.....	1,036,270	-
State COLA reimbursements.....	104,087	-
Intergovernmental.....	7,060	-
Total contributions.....	22,434,399	-
Net investment income:		
Investment income.....	(4,336,991)	93,551
Less: investment expense.....	(565,096)	-
Net investment income (loss).....	(4,902,087)	93,551
TOTAL ADDITIONS.....	17,532,312	93,551
DEDUCTIONS:		
Administration.....	295,608	-
Transfers to other systems.....	1,054,602	-
Retirement benefits and refunds.....	14,834,512	-
Other postemployment benefit payments.....	4,985,511	-
Educational scholarships.....	-	97,221
TOTAL DEDUCTIONS.....	21,170,233	97,221
NET INCREASE (DECREASE) IN NET POSITION.....	(3,637,921)	(3,670)
NET POSITION AT BEGINNING OF YEAR.....	153,724,844	1,783,779
NET POSITION AT END OF YEAR.....	\$ 150,086,923	\$ 1,780,109

See notes to basic financial statements.

(1) Pension as of December 31, 2018.

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, 2019 the Town's assessment totaled \$1,970,003. 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, 2019, the Town's assessment totaled \$489,419. 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 activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental 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 allow the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes, and Tax Liens

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

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

Tax liens may be subject to a foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, §50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian.

Foreclosed properties can then be sold through advertised public auction or held for use by the Town. Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

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

Motor Vehicle Excise

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Special Assessments

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

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

“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

There were no funds in a deficit position at year-end.

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 \$84,542,840 and the bank balance totaled \$86,776,546. Of the bank balance, \$2,593,906 was covered by Federal Depository Insurance, \$2,454,099 was covered by Depositors Insurance Fund, \$12,202,754 was covered by Share Insurance Fund, and \$69,525,787 was collateralized.

At December 31, 2018, the carrying amount of deposits for the Retirement System totaled \$164,362 and the bank balance totaled \$176,034. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2019, the Town of Andover had the following investments:

Investment Type	Fair value	Maturities	
		Under 1 Year	1-5 Years
Debt securities:			
U.S. government agencies.....	\$ 4,884,795	\$ 4,760,616	\$ 124,179
Government sponsored enterprises.....	4,575,865	3,086,994	1,488,871
Corporate bonds.....	15,000	15,000	-
Total debt securities.....	9,475,660	\$ 7,862,610	\$ 1,613,050
Other investments:			
Equity securities.....	248,163		
Equity mutual funds.....	1,263,228		
Mutual funds.....	12,485,224		
Money Market Mutual Funds.....	95,221		
MMDT.....	5,967,919		
Total investments.....	\$ 29,535,415		

As of December 31, 2018, the Retirement System had \$113,664,373 invested in PRIT, \$23,178,959 invested in equity mutual funds, and \$522,110 invested in the PRIT cash fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$4,884,795 in government agencies, \$4,575,865 in government sponsored enterprises, \$15,000 in corporate bonds and \$248,163 in equity securities, the Town has a custodial credit risk exposure of \$9,723,823 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 0.18 to 15.31 years.

Credit Risk

The Town's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. The Town's investments in corporate bonds were rated BBB by Standard and Poor's Investors Service and the MMDT shares and money market mutual funds were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$113,664,373 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, 2019, 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, 2019:

Investment Type	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. government agencies.....	\$ 4,884,795	\$ 4,884,795	\$ -	\$ -
Government sponsored enterprises.....	4,575,865	4,575,865	-	-
Corporate bonds.....	15,000	-	15,000	-
Total debt securities.....	9,475,660	9,460,660	15,000	-
<u>Other investments:</u>				
Equity securities.....	248,163	248,163	-	-
Equity mutual funds.....	1,263,228	1,263,228	-	-
Mutual funds.....	12,485,224	12,485,224	-	-
Money Market Mutual Funds.....	95,221	95,221	-	-
Total other investments.....	14,091,836	14,091,836	-	-
Total investments measured at fair value.....	23,567,496	\$ 23,552,496	\$ 15,000	\$ -
Investments measured at amortized cost:				
MMDT.....	5,967,919			
Total investments.....	\$ 29,535,415			

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

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

Retirement System

As of December 31, 2018, the System had \$23,178,959 invested in equity mutual funds. Equity mutual funds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

As of December 31, 2018, the System had \$113,664,373 invested in PRIT and \$522,110 in the PRIT cash fund. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2019, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,966,386	\$ -	\$ 1,966,386
Tax liens.....	2,449,161	-	2,449,161
Motor vehicle and other excise taxes.....	865,072	(346,466)	518,606
Departmental and other.....	1,262,475	(49,255)	1,213,220
Intergovernmental.....	4,326,080	-	4,326,080
 Total.....	 <u>\$ 10,869,174</u>	 <u>\$ (395,721)</u>	 <u>\$ 10,473,453</u>

At June 30, 2019, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 2,905,280	\$ -	\$ 2,905,280
Sewer user charges.....	1,330,619	-	1,330,619
Water liens - user charges.....	27,121	-	27,121
Sewer liens - user charges.....	19,326	-	19,326
Sewer special assessments.....	4,639,973	-	4,639,973
 Total.....	 <u>\$ 8,922,319</u>	 <u>\$ -</u>	 <u>\$ 8,922,319</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.....	\$ 1,724,168	\$ -	\$ 1,724,168
Tax liens.....	2,449,161	-	2,449,161
Motor vehicle and other excise taxes.....	518,606	-	518,606
Departmental and other.....	727,583	191,392	918,975
Tax foreclosures.....	259,092	-	259,092
Intergovernmental.....	-	3,114,180	3,114,180
 Total.....	 <u>\$ 5,678,610</u>	 <u>\$ 3,305,572</u>	 <u>\$ 8,984,182</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 32,881,857	\$ 503,888	\$ -	\$ 33,385,745
Construction in progress.....	13,859,129	1,186,992	(13,547,601)	1,498,520
 Total capital assets not being depreciated....	 <u>46,740,986</u>	 <u>1,690,880</u>	 <u>(13,547,601)</u>	 <u>34,884,265</u>
 <u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	227,131,653	20,802,325	-	247,933,978
Machinery and equipment.....	15,881,195	169,531	-	16,050,726
Infrastructure.....	46,589,879	2,072,529	-	48,662,408
Vehicles.....	8,583,608	768,765	(105,350)	9,247,023
Library books.....	7,138,768	-	-	7,138,768
 Total capital assets being depreciated.....	 <u>305,325,103</u>	 <u>23,813,150</u>	 <u>(105,350)</u>	 <u>329,032,903</u>
 <u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(107,230,514)	(6,125,459)	-	(113,355,973)
Machinery and equipment.....	(10,701,055)	(886,309)	-	(11,587,364)
Infrastructure.....	(27,334,707)	(1,156,253)	-	(28,490,960)
Vehicles.....	(5,681,763)	(694,680)	105,350	(6,271,093)
Library books.....	(6,551,334)	(178,982)	-	(6,730,316)
 Total accumulated depreciation.....	 <u>(157,499,373)</u>	 <u>(9,041,683)</u>	 <u>105,350</u>	 <u>(166,435,706)</u>
 Total capital assets being depreciated, net.....	 <u>147,825,730</u>	 <u>14,771,467</u>	 <u>-</u>	 <u>162,597,197</u>
 Total governmental activities capital assets, net.....	 <u>\$ 194,566,716</u>	 <u>\$ 16,462,347</u>	 <u>\$ (13,547,601)</u>	 <u>\$ 197,481,462</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	3,052,824	1,141,840	(3,052,824)	1,141,840
Total capital assets not being depreciated....	<u>3,318,841</u>	<u>1,141,840</u>	<u>(3,052,824)</u>	<u>1,407,857</u>
<u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	2,205,190	44,921	-	2,250,111
Machinery and equipment.....	3,554,048	16,811	-	3,570,859
Infrastructure.....	86,018,630	6,104,747	-	92,123,377
Vehicles.....	397,414	36,757	-	434,171
Total capital assets being depreciated.....	<u>92,175,282</u>	<u>6,203,236</u>	<u>-</u>	<u>98,378,518</u>
<u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(337,292)	(96,961)	-	(434,253)
Machinery and equipment.....	(1,484,666)	(177,889)	-	(1,662,555)
Infrastructure.....	(56,823,860)	(1,919,768)	-	(58,743,628)
Vehicles.....	(263,317)	(53,225)	-	(316,542)
Total accumulated depreciation.....	<u>(58,909,135)</u>	<u>(2,247,843)</u>	<u>-</u>	<u>(61,156,978)</u>
Total capital assets being depreciated, net.....	<u>33,266,147</u>	<u>3,955,393</u>	<u>-</u>	<u>37,221,540</u>
Total water activities capital assets, net.....	<u>\$ 36,584,988</u>	<u>\$ 5,097,233</u>	<u>\$ (3,052,824)</u>	<u>\$ 38,629,397</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	42,422	108,871	-	151,293
Total capital assets not being depreciated....	<u>157,552</u>	<u>108,871</u>	<u>-</u>	<u>266,423</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,321,820	-	-	1,321,820
Machinery and equipment.....	1,168,123	18,000	-	1,186,123
Infrastructure.....	53,204,459	36,086	-	53,240,545
Vehicles.....	353,163	-	-	353,163
Total capital assets being depreciated.....	<u>56,047,565</u>	<u>54,086</u>	<u>-</u>	<u>56,101,651</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(1,195,222)	(32,030)	-	(1,227,252)
Machinery and equipment.....	(567,817)	(44,109)	-	(611,926)
Infrastructure.....	(20,896,629)	(997,970)	-	(21,894,599)
Vehicles.....	(232,462)	(28,908)	-	(261,370)
Total accumulated depreciation.....	<u>(22,892,130)</u>	<u>(1,103,017)</u>	<u>-</u>	<u>(23,995,147)</u>
Total capital assets being depreciated, net.....	<u>33,155,435</u>	<u>(1,048,931)</u>	<u>-</u>	<u>32,106,504</u>
Total sewer activities capital assets, net.....	<u>\$ 33,312,987</u>	<u>\$ (940,060)</u>	<u>\$ -</u>	<u>\$ 32,372,927</u>

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

Governmental Activities:

General government.....	\$	576,321
Public safety.....		912,930
Education.....		4,694,591
Public works.....		764,648
Public facilities.....		1,558,614
Community services.....		287,483
Library.....		247,096
		<hr/>
Total depreciation expense - governmental activities.....	\$	<u>9,041,683</u>

Business-Type Activities:

Water.....	\$	2,247,843
Sewer.....		1,103,017
		<hr/>
Total depreciation expense - business-type activities.....	\$	<u>3,350,860</u>

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2019, the Town had an interfund receivable/payable of \$460,999 between the general fund and the highway construction fund to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Gas disaster paving restoration fund	Nonmajor governmental funds	Total
General fund.....	\$ -	\$ -	\$ 7,335,077	\$ 7,335,077 (1)
Gas disaster mitigation fund.....	-	600,000	-	600,000 (2)
Gas disaster reimbursement fund.....	-	-	62,569	62,569 (3)
Nonmajor governmental funds.....	<u>403,520</u>	<u>-</u>	<u>846,223</u>	<u>1,249,743</u> (4)
Total.....	\$ <u>403,520</u>	\$ <u>600,000</u>	\$ <u>8,243,869</u>	\$ <u>9,247,389</u>

- (1) Transfers from the general fund to capital project funds for current year capital articles.
- (2) Transfer between the gas disaster mitigation fund and the gas disaster paving restoration fund.
- (3) Transfer from the gas disaster reimbursement fund to the off-street parking fund for lost parking revenues.
- (4) Transfers to the general fund from other available funds as well as transfers between nonmajor funds.

NOTE 6 – CAPITAL LEASES

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

<u>Asset:</u>	Governmental Activities
Machinery and equipment.....	\$ 432,672
Less: accumulated depreciation...	(86,534)
Total.....	\$ 346,138

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Years ending June 30:</u>	Governmental Activities
2020.....	\$ 93,205
2021.....	46,602
Total minimum lease payments.....	139,807
Less: amounts representing interest.....	(3,793)
Present value of minimum lease payments... \$	136,014

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, 2019, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Funds:							
BAN	Bond anticipation note.....	2.50%	12/19/19	\$ -	\$ 620,000	\$ -	\$ 620,000
Enterprise Funds:							
<i>Water Enterprise Fund</i>							
BAN	Bond anticipation note.....	2.00%	11/16/18	\$ 160,000	\$ -	\$ (160,000)	\$ -
BAN	Bond anticipation note.....	2.50%	12/19/19	-	2,100,000		2,100,000
Total Enterprise Fund.....				\$ 160,000	\$ 2,100,000	\$ (160,000)	\$ 2,100,000

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2019, 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, 2019
Public safety.....	2029	\$ 9,051,300	2.00 - 5.00	\$ 3,172,500 (1)
School projects.....	2038	67,619,900	2.00 - 5.00	44,195,000 (1)
Municipal services.....	2049	40,011,350	2.00 - 5.00	28,712,994 (2)
Land acquisition.....	2034	7,062,100	3.00 - 5.00	3,425,251 (1)
Culture and recreation.....	2034	2,598,650	2.00 - 5.00	1,675,000 (1)
Total Bonds Payable.....				81,180,745
Add: Unamortized premium on bonds.....				3,708,484
Total Bonds Payable, net.....				\$ 84,889,229

- (1) Debt issued to finance Town capital expenditures.
- (2) Debt issued to finance Town capital expenditures with the exception of \$2.0 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
2020.....	\$ 7,014,124	\$ 3,311,344	\$ 10,325,468
2021.....	6,824,757	2,756,056	9,580,813
2022.....	6,380,603	2,496,110	8,876,713
2023.....	5,756,064	2,236,967	7,993,031
2024.....	5,341,739	1,998,530	7,340,269
2025.....	5,267,680	1,764,893	7,032,573
2026.....	5,093,134	1,532,678	6,625,812
2027.....	4,817,854	1,341,132	6,158,986
2028.....	4,439,590	1,168,667	5,608,257
2029.....	3,870,341	1,025,254	4,895,595
2030.....	3,501,110	898,427	4,399,537
2031.....	3,266,894	782,740	4,049,634
2032.....	3,112,696	677,399	3,790,095
2033.....	2,853,516	579,414	3,432,930
2034.....	2,114,353	479,707	2,594,060
2035.....	910,208	402,195	1,312,403
2036.....	846,082	370,938	1,217,020
2037.....	830,000	341,957	1,171,957
2038.....	800,000	312,544	1,112,544
2039.....	735,000	284,694	1,019,694
2040.....	695,000	258,738	953,738
2041.....	720,000	233,175	953,175
2042.....	740,000	206,787	946,787
2043.....	770,000	179,494	949,494
2044.....	800,000	150,857	950,857
2045.....	825,000	120,750	945,750
2046.....	860,000	89,922	949,922
2047.....	895,000	57,588	952,588
2048.....	925,000	24,047	949,047
2049.....	175,000	3,500	178,500
Total.....	\$ <u>81,180,745</u>	\$ <u>26,086,500</u>	\$ <u>107,267,245</u>

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Sewer projects.....	2033	\$ 13,810,350	1.30 - 5.00	\$ 11,940,350 (1)
Water projects.....	2039	23,538,502	2.00 - 5.00	15,254,467 (1)
Total Bonds Payable.....				27,194,817
Add: Unamortized premium on bonds.....				705,099
Total Bonds Payable, net.....				\$ <u>27,899,916</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
2020.....	\$ 3,585,819	\$ 980,417	\$ 4,566,236
2021.....	3,566,391	802,529	4,368,920
2022.....	3,481,876	678,098	4,159,974
2023.....	2,992,876	562,994	3,555,870
2024.....	2,753,792	463,643	3,217,435
2025.....	2,219,579	371,621	2,591,200
2026.....	1,890,987	289,314	2,180,301
2027.....	1,893,268	217,383	2,110,651
2028.....	1,147,238	159,286	1,306,524
2029.....	747,991	124,010	872,001
2030.....	555,000	97,985	652,985
2031.....	555,000	79,135	634,135
2032.....	530,000	60,831	590,831
2033.....	510,000	43,471	553,471
2034.....	265,000	28,200	293,200
2035.....	100,000	18,000	118,000
2036.....	100,000	14,000	114,000
2037.....	100,000	10,000	110,000
2038.....	100,000	6,000	106,000
2039.....	100,000	2,000	102,000
Total.....	\$ <u>27,194,817</u>	\$ <u>5,008,918</u>	\$ <u>32,203,735</u>

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, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 1,200,000
Landfill.....	6,695,000
Technology.....	500,000
Public works.....	655,000
Other miscellaneous projects.....	2,195,000
School projects.....	319,000
Town building and remodeling.....	12,110,000
Sewer projects.....	2,550,000
Water projects.....	16,260,000
Total.....	\$ 42,484,000

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 81,497,349	\$ 6,585,000	\$ (6,901,604)	\$ -	\$ -	\$ 81,180,745	\$ 7,014,124
Add: Unamortized premium on bonds.....	3,462,943	770,833	(525,292)	-	-	3,708,484	680,844
Total bonds payable.....	84,960,292	7,355,833	(7,426,896)	-	-	84,889,229	7,694,968
Capital lease obligations.....	222,815	-	-	-	(86,801)	136,014	89,883
Landfill closure.....	15,540,000	-	-	-	(1,400,000)	14,140,000	309,000
Compensated absences.....	3,789,000	-	-	1,728,000	(789,000)	4,728,000	1,768,000
Workers' compensation.....	630,000	-	-	-	(531,000)	99,000	10,000
Net pension liability.....	155,275,122	-	-	49,907,835	(32,822,080)	172,360,877	-
Net other postemployment benefits liability.....	135,595,638	-	-	12,081,736	(28,703,568)	118,973,806	-
Total governmental activity long-term liabilities.....	\$ 396,012,867	\$ 7,355,833	\$ (7,426,896)	\$ 63,717,571	\$ (64,332,449)	\$ 395,326,926	\$ 9,871,851
Business-Type Activities:							
Long-term bonds payable.....	\$ 29,597,075	\$ 1,000,000	\$ (3,402,258)	\$ -	\$ -	\$ 27,194,817	\$ 3,585,819
Add: Unamortized premium on bonds.....	879,919	-	(174,820)	-	-	705,099	140,556
Total bonds payable.....	30,476,994	1,000,000	(3,577,078)	-	-	27,899,916	3,726,375
Due to other governments.....	812,928	-	-	2,776	(95,300)	720,404	89,829
Compensated absences.....	322,000	-	-	74,000	(43,000)	353,000	168,000
Net pension liability.....	6,243,676	-	-	2,069,007	(1,381,982)	6,930,701	-
Net other postemployment benefits liability.....	10,112,118	-	-	810,959	(2,123,083)	8,799,994	-
Total business-type activity long-term liabilities.....	\$ 47,967,716	\$ 1,000,000	\$ (3,577,078)	\$ 2,956,742	\$ (3,643,365)	\$ 44,704,015	\$ 3,984,204

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 \$99,000 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 \$6,498,812 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 \$12,938 and \$1,103,996, respectively. These stabilization funds have been reported as components of committed fund balance.

As of June 30, 2019, the governmental fund balances consisted of the following:

	General	Gas disaster paving restoration fund	Gas disaster mitigation fund	Gas disaster reimbursement fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
Cemetery.....	\$ -	\$ -	\$ -	\$ -	1,293,426	\$ 1,293,426
Restricted for:						
Gas disaster paving restoration fund....	-	14,565,000	-	-	-	14,565,000
Gas disaster mitigation fund.....	-	-	2,400,000	-	-	2,400,000
Gas disaster reimbursement fund.....	-	-	-	646,685	-	646,685
School projects.....	-	-	-	-	1,753,697	1,753,697
Town grants/other revolving.....	-	-	-	-	4,245,498	4,245,498
School grants/other revolving.....	-	-	-	-	4,017,105	4,017,105
School lunch.....	-	-	-	-	184,276	184,276
Road/drainage projects.....	-	-	-	-	1,071,938	1,071,938
Ledge road landfill.....	-	-	-	-	2,113,641	2,113,641
Conservation.....	-	-	-	-	4,153	4,153
Municipal buildings.....	-	-	-	-	5,219,503	5,219,503
Other capital projects.....	-	-	-	-	6,435,714	6,435,714
Cemetery.....	-	-	-	-	392,091	392,091
Library.....	-	-	-	-	111,722	111,722
Town welfare/other.....	-	-	-	-	202,388	202,388
Debt service.....	529,791	-	-	-	-	529,791
Committed to:						
Continuing appropriations:						
General government.....	81,027	-	-	-	-	81,027
Community services.....	20,713	-	-	-	-	20,713
Elder services stabilization.....	12,938	-	-	-	-	12,938
Debt service stabilization.....	1,103,996	-	-	-	-	1,103,996
Subsequent years' expenditures.....	32,000	-	-	-	-	32,000
Assigned to:						
Encumbrances:						
General government.....	190,376	-	-	-	-	190,376
Public safety.....	92,994	-	-	-	-	92,994
Education.....	192,976	-	-	-	-	192,976
Public works.....	544,124	-	-	-	-	544,124
Public facilities.....	162,771	-	-	-	-	162,771
Community services.....	11,379	-	-	-	-	11,379
Unassigned.....	18,495,850	-	-	-	-	18,495,850
Total Fund Balances.....	\$ 21,470,935	\$ 14,565,000	\$ 2,400,000	\$ 646,685	\$ 27,045,152	\$ 66,127,772

NOTE 10 – RISK FINANCING

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

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

The liability at June 30, 2019 totaled \$1,911,950. Changes in the reported liability since July 1, 2017, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2018.....	\$ 1,928,000	\$ 25,462,998	\$ (25,506,998)	\$ 1,884,000
2019.....	1,884,000	26,384,269	(26,356,369)	1,911,900

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, 2019, the amount of the liability for workers' compensation claims totaled \$99,000. Changes in the reported liability since July 1, 2017 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2018.....	\$ 210,000	\$ 632,000	\$ (212,000)	\$ 630,000	\$ 417,000
2019.....	630,000	(487,000)	(44,000)	99,000	10,000

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, 2018. The Town’s portion of the collective pension expense, contributed by the Commonwealth, of \$17,926,816 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 \$176,905,548 as of the measurement date.

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

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

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

At December 31, 2018, the ACRS membership consists of the following:

Active members.....	739
Inactive members.....	138
Disabled members.....	41
Retirees and beneficiaries currently receiving benefits.....	<u>445</u>
 Total.....	 <u>1,363</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, 2018 was \$10,464,565, or 25.81% 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 \$10,371,338; which equaled its actual contribution.

Pension Liabilities – The components of the net pension liability of the participating member units at June 30, 2019 were as follows:

Total pension liability.....	\$	318,497,857
Total pension plan's fiduciary net position.....		<u>(137,594,639)</u>
Total net pension liability.....	\$	<u>180,903,218</u>
The pension plan's fiduciary net position as		
a percentage of the total pension liability.....		43.20%

At June 30, 2019, the Town reported a liability of \$179,291,578 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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 forward 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, 2018, the Town's proportion was 99.11%; which equaled its proportion measured at December 31, 2017.

Pension Expense – For the year ended June 30, 2019, the Town recognized pension expense of \$23,486,224. At June 30, 2019, the Town reported deferred outflows of resources related to pensions of \$25,671,605, and also reported deferred inflows of resources related to pensions of \$2,407,221. The balances of deferred outflows and inflows at June 30, 2019 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 3,667,608	\$ (1,131,202)	\$ 2,536,406
Difference between projected and actual earnings.....	4,663,880	-	4,663,880
Changes in assumptions.....	16,172,252	-	16,172,252
Changes in proportion and proportionate share of contributions...	<u>1,167,865</u>	<u>(1,276,019)</u>	<u>(108,154)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>25,671,605</u>	\$ <u>(2,407,221)</u>	\$ <u>23,264,384</u>

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

<u>Year ended June 30:</u>	
2020.....	\$ 9,743,154
2021.....	8,175,922
2022.....	1,334,442
2023.....	<u>4,010,866</u>
Total.....	\$ <u>23,264,384</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 forward to December 31, 2018:

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 12/31/18 and 12/31/17.

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, 2018, 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%	5.73%
International developed markets equity..	10.00%	6.26%
International emerging markets equity...	6.00%	9.04%
Core fixed income.....	10.00%	1.46%
High-yield fixed income.....	10.00%	3.57%
Real estate.....	13.00%	4.15%
Commodities.....	2.00%	4.34%
Hedge fund GTAA, Risk parity.....	6.50%	3.25%
Private equity.....	5.50%	9.57%
Total.....	<u>100.00%</u>	

Rate of return – For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.94%. 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, 2018, and December 31, 2017. 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.....	\$ 218,010,522	\$ 179,291,578	\$ 146,812,773
ACRS total net pension liability.....	\$ 219,970,204	\$ 180,903,218	\$ 148,132,463

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy – The contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2019, the Town’s average contribution rate was 8.1% 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 2019, the town pre-funded future OPEB liabilities totaling \$1,811,888 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, 2019, the net position of the OPEB trust fund totaled \$12,492,284. The Town implemented a plan to begin funding OPEB in 2017, consisting of an initial contribution of 0.4% of general fund revenue with contributions increasing 2.5% per year in subsequent years. In addition, the incremental annual savings in the health insurance budget generated in accordance with the Board of Selectmen vote on April 5, 2016, to implement a comprehensive OPEB reform plan by changing the retiree premium contribution split, are appropriated to the OPEB Trust Fund.

Investment policy – The Town’s policy regarding the allocation of invested assets is established and may be amended by the 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, 2019:

Active members.....	1,357
Retired, Disabled, Survivors and Beneficiaries receiving benefits.....	759
Inactive members entitled to but not yet receiving benefits.....	<u>26</u>
 Total.....	 <u><u>2,142</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$	140,266,084
Less: OPEB plan's fiduciary net position.....		<u>(12,492,284)</u>
Net OPEB liability.....	\$	<u>127,773,800</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....		8.91%

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, 2019, 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.....	6.00%, net of investment expense as of June 30, 2019.
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 scale MP-2016.
	Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using scale MP-2016.
	Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct for Healthy Annuitants projected using scale MP-2016. Set forward 2 years.

Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments was 6.48%. 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, 2019, are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
U.S. Short duration government/credit.....	10.50%	0.88%
U.S. Aggregate bonds.....	15.55%	0.98%
U.S. TIPS.....	3.40%	0.69%
U.S. High Yield Bonds.....	5.00%	2.74%
Multi-strategy.....	7.00%	2.62%
U.S. Large cap equity.....	42.12%	3.72%
U.S. Mid cap equity.....	2.14%	5.09%
U.S. Small cap equity.....	0.83%	3.72%
International equity.....	11.04%	3.23%
Emerging Markets equity.....	2.42%	6.66%
Total.....	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 6.00% as of June 30, 2019 and 5.36% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 155,660,838	\$ 9,953,082	\$ 145,707,756
Changes for the year:			
Service cost.....	4,451,353	-	4,451,353
Interest.....	8,448,402	-	8,448,402
Changes of benefit terms.....	(10,540,194)	-	(10,540,194)
Differences between expected and actual experience.....	-	-	-
Changes in assumptions and other inputs.....	(12,768,804)	-	(12,768,804)
Benefit payments.....	(4,985,511)	(4,985,511)	-
Employer contributions.....	-	1,818,948	(1,818,948)
Employer contributions for OPEB payments.....	-	4,985,511	(4,985,511)
Net investment income.....	-	720,254	(720,254)
Net change.....	(15,394,754)	2,539,202	(17,933,956)
Balances at June 30, 2019.....	\$ 140,266,084	\$ 12,492,284	\$ 127,773,800

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability.....	\$ 147,792,236	\$ 127,773,800	\$ 111,469,929

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.....	\$ 107,146,822	\$ 127,773,800	\$ 153,835,977

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$1,660,382. At June 30, 2019, 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.....	\$ 6,957,314	\$ -	\$ 6,957,314
Changes in assumptions.....	1,024,285	(10,472,257)	(9,447,972)
Difference between projected and actual earnings.....	-	(214,868)	(214,868)
Total deferred outflows/(inflows) of resources.....	\$ 7,981,599	\$ (10,687,125)	\$ (2,705,526)

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

<u>Measurement date year ended June 30:</u>	
2020.....	\$ (116,947)
2021.....	(116,947)
2022.....	(116,947)
2023.....	(1,068,620)
2024.....	(1,286,065)
Total.....	\$ (2,705,526)

Changes of Assumptions – The discount rate was changed from 5.36% to 6.00% based on depletion analysis at the measurement date.

Changes in Plan Provisions – The contribution split for commercial retiree plans was changed from 55% employer/45% employee to 50.01% employer/49.99% employee effective July 1, 2019.

NOTE 13 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$14,140,000 as the estimate of the landfill closure liability at June 30, 2019, 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 14 - FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

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

	Pension Trust Fund (as of December 31, 2018)	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 686,472	\$ -	\$ 686,472
Investments:			
Investments in Pension Reserve Investment Trust.....	113,664,373	-	113,664,373
Mutual funds.....	23,178,959	12,492,284	35,671,243
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	85,329	-	85,329
TOTAL ASSETS.....	137,615,133	12,492,284	150,107,417
LIABILITIES			
Warrants payable.....	20,494	-	20,494
NET POSITION			
Restricted for pensions.....	137,594,639	-	137,594,639
Restricted for other postemployment benefits.....	-	12,492,284	12,492,284
TOTAL NET POSITION.....	\$ 137,594,639	\$ 12,492,284	\$ 150,086,923

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 10,464,565	\$ 1,811,888	\$ 12,276,453
Employer contributions for other postemployment benefit payments.....	-	4,985,511	4,985,511
Member contributions.....	4,025,018	-	4,025,018
Transfers from other systems.....	1,036,270	-	1,036,270
State COLA reimbursements.....	104,087	-	104,087
Intergovernmental.....	-	7,060	7,060
Total contributions.....	15,629,940	6,804,459	22,434,399
Net investment income:			
Investment income.....	(5,057,245)	720,254	(4,336,991)
Less: investment expense.....	(565,096)	-	(565,096)
Net investment income (loss).....	(5,622,341)	720,254	(4,902,087)
TOTAL ADDITIONS.....	10,007,599	7,524,713	17,532,312
DEDUCTIONS:			
Administration.....	295,608	-	295,608
Transfers to other systems.....	1,054,602	-	1,054,602
Retirement benefits and refunds.....	14,834,512	-	14,834,512
Other postemployment benefit payments.....	-	4,985,511	4,985,511
TOTAL DEDUCTIONS.....	16,184,722	4,985,511	21,170,233
NET INCREASE (DECREASE) IN NET POSITION.....	(6,177,123)	2,539,202	(3,637,921)
NET POSITION AT BEGINNING OF YEAR.....	143,771,762	9,953,082	153,724,844
NET POSITION AT END OF YEAR.....	\$ 137,594,639	\$ 12,492,284	\$ 150,086,923

NOTE 15 – COLUMBIA GAS DISASTER

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

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

As of June 30, 2019, the Town received \$3,000,000 of mitigation funds, which have been reported in the Gas Disaster Mitigation Fee Fund. The mitigation fees represent recovery of liabilities, claims, damages (including soft surface restoration), including but not limited to lost revenues, prior and future permit and inspection fees, depreciation and damage to municipal property. Any claims not covered by the Gas Disaster Reimbursement Fund (more fully explained in the following paragraph) may be covered with these proceeds. All remaining funds must be appropriated by Town Meeting to be expended in accordance with the Settlement Agreement. Any proceeds not expended for the purpose described in the Settlement Agreement by December 31, 2021, will close to the general fund. On June 19, 2019, the Town voted to appropriate \$600,000 of the mitigation fees for paving and street design as well as other projects. These funds have been transferred to the Gas Disaster Paving Restoration Fund to consolidate the paving costs. The Town anticipates that the remaining expenditure of the mitigation funds will begin in 2020.

The maximum amount Columbia will reimburse the Town for direct substantiated losses is \$3,851,250. All direct substantiated costs must be submitted for reimbursement to Columbia no later than December 31, 2019. The Town submitted \$2,444,004 of claims for direct substantiated losses including expenditures totaling \$1,734,750, lost parking revenues totaling \$62,569, vehicle depreciation totaling \$124,972 and waived permit fees totaling \$521,713. \$76,364 of the claims submitted for reimbursement were not approved because the invoices related to the claims had not been paid as of year-end. In 2019, expenditures charged to the Gas Disaster Reimbursement Fund (Reimbursement Fund) totaled \$1,706,855, of which \$48,469 relates to claims that the Town considers reimbursable but had not been submitted for reimbursement as of June 30, 2019. Accordingly, the Town has recorded a corresponding receivable to reflect the anticipated reimbursement of these expenditures. As of June 30, 2019, the Town recognized \$2,367,640 of reimbursements; which have been reported in the Reimbursement Fund. Based on the maximum amount allotted to the Town in the settlement agreement of \$3,851,250, less reimbursements recognized in the Reimbursement Fund through June 30, 2019, there is a remaining balance \$1,407,247 for future claims. The Town does not anticipate incurring a significant amount of expenditures for future claims. At the present time, the Town has no plans to seek arbitration for any costs denied by Columbia.

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, 2019, the Town exempted property taxes totaling \$2,554,032 under this program.

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

NOTE 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 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 \$720,404 has been reported as a liability - due to other governments in the water enterprise fund as of June 30, 2019.

NOTE 18 – 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, 2019, 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

The Town has entered into or is planning to enter into contracts totaling \$12,110,000 for construction and renovation of Town buildings.

The Town has entered into or is planning to enter into contracts totaling \$18,810,000 for water and sewer infrastructure projects.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2019, which is the date the financial statements were available to be issued.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- 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.
- The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented in 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 144,539,875	\$ 144,539,875	\$ 144,510,423	\$ -	\$ (29,452)
Tax liens.....	-	-	243,275	-	243,275
Motor vehicle and other excise taxes.....	5,331,697	5,331,697	6,176,998	-	845,301
Hotel/motel tax.....	1,699,677	1,699,677	2,360,307	-	660,630
Meals tax.....	550,528	550,528	622,132	-	71,604
Penalties and interest on taxes.....	326,345	326,345	572,136	-	245,791
Licenses and permits.....	2,832,111	2,832,111	2,496,171	-	(335,940)
Intergovernmental.....	12,783,980	12,783,980	13,228,885	-	444,905
Departmental and other.....	3,587,576	3,587,576	3,585,874	-	(1,702)
Investment income.....	146,100	146,100	885,900	-	739,800
TOTAL REVENUES.....	171,797,889	171,797,889	174,682,101	-	2,884,212
EXPENDITURES:					
Current:					
General government:					
Personal Services.....	6,242,522	6,242,521	5,997,783	22,559	222,179
Other expenses.....	2,453,721	2,485,922	2,196,711	248,844	40,367
TOTAL.....	8,696,243	8,728,443	8,194,494	271,403	262,546
Public safety.....					
Personal services.....	15,429,203	15,429,204	15,179,555	24,237	225,412
Other expenses.....	1,703,052	1,703,054	1,556,039	68,757	78,258
TOTAL.....	17,132,255	17,132,258	16,735,594	92,994	303,670
Education.....					
Technical schools.....	628,300	628,300	592,235	-	36,065
School department.....	82,821,712	82,821,712	82,628,736	192,976	-
TOTAL.....	83,450,012	83,450,012	83,220,971	192,976	36,065
Public works.....					
Personal services.....	3,458,814	3,458,814	3,369,184	11,487	78,143
Other expenses.....	5,384,869	5,384,869	4,595,382	532,637	256,850
TOTAL.....	8,843,683	8,843,683	7,964,566	544,124	334,993
Public facilities.....					
Personal services.....	2,309,184	2,309,184	2,272,637	-	36,547
Other expenses.....	1,632,595	1,631,306	1,397,517	162,771	71,018
TOTAL.....	3,941,779	3,940,490	3,670,154	162,771	107,565
Community services.....					
Personal services.....	1,713,886	1,713,886	1,708,334	435	5,117
Other expenses.....	713,844	718,027	601,717	31,657	84,653
TOTAL.....	2,427,730	2,431,913	2,310,051	32,092	89,770

(continued)

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Library.....					
Personal services.....	2,174,349	2,174,349	2,124,655	-	49,694
Other expenses.....	<u>668,833</u>	<u>668,833</u>	<u>618,208</u>	-	<u>50,625</u>
TOTAL.....	2,843,182	2,843,182	2,742,863	-	100,319
Unclassified.....					
Reserve fund.....	<u>200,000</u>	<u>200,000</u>	-	-	<u>200,000</u>
Pension benefits.....	10,371,338	10,371,338	10,371,338	-	-
Property and liability insurance.....	970,445	1,370,444	1,370,444	-	-
Employee benefits.....	22,238,963	22,238,963	22,238,963	-	-
Claims and judgments.....	-	-	13,500	-	(13,500)
State and county charges.....	836,811	836,811	831,295	-	5,516
Debt service:					
Principal.....	10,303,862	10,303,862	10,303,862	-	-
Interest.....	<u>4,265,040</u>	<u>4,105,040</u>	<u>4,015,752</u>	-	<u>89,288</u>
TOTAL.....	14,568,902	14,408,902	14,319,614	-	89,288
TOTAL EXPENDITURES.....	<u>176,521,343</u>	<u>176,796,439</u>	<u>173,983,847</u>	1,296,360	1,516,232
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>(4,723,454)</u>	<u>(4,998,550)</u>	698,254	(1,296,360)	4,400,444
OTHER FINANCING SOURCES (USES):					
Transfers in.....	6,680,183	6,680,183	6,680,183	-	-
Transfers out.....	<u>(3,365,077)</u>	<u>(6,735,077)</u>	<u>(6,735,077)</u>	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>3,315,106</u>	<u>(54,894)</u>	<u>(54,894)</u>	-	-
NET CHANGE IN FUND BALANCE.....	(1,408,348)	(5,053,444)	643,360	(1,296,360)	4,400,444
BUDGETARY FUND BALANCE, Beginning of year.....	<u>13,362,627</u>	<u>13,362,627</u>	<u>13,362,627</u>	-	-
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 11,954,279</u>	<u>\$ 8,309,183</u>	<u>\$ 14,005,987</u>	<u>\$ (1,296,360)</u>	<u>\$ 4,400,444</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	December 31, 2018
Total pension liability:					
Service cost.....	\$ 4,830,379	\$ 5,031,130	\$ 7,081,423	\$ 7,340,269	\$ 7,335,218
Interest.....	16,502,651	17,252,209	17,341,752	18,050,660	19,168,955
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>	<u>(14,748,757)</u>
Net change in total pension liability.....	9,546,857	53,144,737	11,812,917	18,237,788	11,755,416
Total pension liability - beginning.....	<u>214,000,142</u>	<u>223,546,999</u>	<u>276,691,736</u>	<u>288,504,653</u>	<u>306,742,441</u>
Total pension liability - ending (a).....	<u>\$ 223,546,999</u>	<u>\$ 276,691,736</u>	<u>\$ 288,504,653</u>	<u>\$ 306,742,441</u>	<u>\$ 318,497,857</u>
Plan fiduciary net position:					
Employer contributions.....	\$ 6,281,397	\$ 8,007,778	\$ 8,665,124	\$ 9,517,477	\$ 10,464,565
Member contributions.....	3,511,255	3,659,016	3,785,282	3,853,001	4,025,018
Net investment income (loss).....	8,085,611	999,647	8,351,875	21,179,080	(5,622,341)
Administrative expenses.....	(240,330)	(262,001)	(286,066)	(267,297)	(295,608)
Retirement benefits and refunds.....	<u>(11,786,173)</u>	<u>(11,937,955)</u>	<u>(12,610,258)</u>	<u>(14,068,711)</u>	<u>(14,748,757)</u>
Net increase (decrease) in fiduciary net position.....	5,851,760	466,485	7,905,957	20,213,550	(6,177,123)
Fiduciary net position - beginning of year.....	<u>109,334,010</u>	<u>115,185,770</u>	<u>115,652,255</u>	<u>123,558,212</u>	<u>143,771,762</u>
Fiduciary net position - end of year (b).....	<u>\$ 115,185,770</u>	<u>\$ 115,652,255</u>	<u>\$ 123,558,212</u>	<u>\$ 143,771,762</u>	<u>\$ 137,594,639</u>
Net pension liability - ending (a)-(b).....	<u>\$ 108,361,229</u>	<u>\$ 161,039,481</u>	<u>\$ 164,946,441</u>	<u>\$ 162,970,679</u>	<u>\$ 180,903,218</u>
Plan fiduciary net position as a percentage of the total pension liability.....	51.53%	41.80%	42.83%	46.87%	43.20%
Covered payroll.....	\$ 36,488,870	\$ 36,946,467	\$ 38,583,218	\$ 38,828,166	\$ 40,545,376
Net pension liability as a percentage of covered payroll.....	296.97%	435.87%	427.51%	419.72%	446.17%
Discount Rate used for the ending net pension liability.....	7.75%	6.25%	6.25%	6.25%	6.25%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

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

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

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

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

See notes to required supplementary information.

Pension Plan Schedules – Town

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

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

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

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

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

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

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

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

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

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

See notes to required supplementary information.

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

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

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

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 5,605,421	\$ 4,186,467	\$ 4,451,353
Interest.....	9,299,269	7,514,930	8,448,402
Changes of benefit terms.....	(42,080,306)	-	(10,540,194)
Differences between expected and actual experience.....	-	10,865,917	-
Changes of assumptions.....	(6,594,974)	1,599,726	(12,768,804)
Benefit payments.....	(4,647,800)	(4,923,643)	(4,985,511)
Net change in total OPEB liability.....	(38,418,390)	19,243,397	(15,394,754)
Total OPEB liability - beginning.....	174,835,831	136,417,441	155,660,838
Total OPEB liability - ending (a).....	<u>\$ 136,417,441</u>	<u>\$ 155,660,838</u>	<u>\$ 140,266,084</u>
Plan fiduciary net position			
Employer contributions.....	\$ 1,502,579	\$ 1,648,721	\$ 1,811,888
Employer contributions for OPEB payments.....	4,647,800	4,923,643	4,985,511
Other contributions.....	-	-	7,060
Net investment income.....	730,782	636,085	720,254
Benefit payments.....	-	(4,923,643)	(4,985,511)
Net change in plan fiduciary net position.....	6,881,161	2,284,806	2,539,202
Plan fiduciary net position - beginning of year.....	5,434,915	7,668,276	9,953,082
Plan fiduciary net position - end of year (b).....	<u>\$ 12,316,076</u>	<u>\$ 9,953,082</u>	<u>\$ 12,492,284</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 124,101,365</u>	<u>\$ 145,707,756</u>	<u>\$ 127,773,800</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	9.03%	6.39%	8.91%
Covered-employee payroll.....	\$ 93,662,000	95,535,000	\$ 99,671,000
Net OPEB liability as a percentage of covered-employee payroll.....	132.50%	152.52%	128.20%
Discount rate used for the net OPEB liability at year end.....	5.44%	5.36%	6.00%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2019.....	\$ 10,148,465	\$ (6,804,459)	\$ 3,344,006	\$ 99,671,000	6.83%
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

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2019.....	6.48%
June 30, 2018.....	7.21%
June 30, 2017.....	12.10%

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

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

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

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

Generally, expenditures may not exceed the legal level of spending (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 2019 approved budget authorized approximately \$179.9 million in appropriations and other amounts to be raised. During 2019, Town Meeting also approved supplemental appropriations totaling \$3.6 million. The purpose of the supplemental appropriations was to fund capital project expenditures and property revaluations.

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, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$	643,360
<u>Perspective differences:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		(484,993)
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		(400,919)
Net change in recording tax refunds payable.....		(57,000)
Recognition of revenue for on-behalf payments.....		17,926,816
Recognition of expenditures for on-behalf payments.....		<u>(17,926,816)</u>
Net change in fund balance - GAAP basis.....	\$	<u>(299,552)</u>

3. Appropriation Deficits

During 2019, actual expenditures exceeded budgeted appropriations for claims and judgements. These over-expenditures 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

None.

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.

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 discount rate was changed from 5.36% to 6.00% based on depletion analysis at the measurement date.

E. Changes in Plan Provisions

The contribution split for commercial retiree plans was changed from 55% employer/45% employee to 50.01% employer/49.99% employee effective 7/1/2019.

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.

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

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

Permanent Funds

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2019

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Subtotal
ASSETS				
Cash and cash equivalents.....	\$ 2,769,485	\$ 3,429,548	\$ 217,347	\$ 6,416,380
Investments.....	1,765,266	-	-	1,765,266
Receivables, net of uncollectibles:				
Departmental and other.....	194,709	-	-	194,709
Intergovernmental - other.....	-	733,382	-	733,382
TOTAL ASSETS.....	\$ 4,729,460	\$ 4,162,930	\$ 217,347	\$ 9,109,737
LIABILITIES				
Warrants payable.....	\$ 223,250	\$ 27,950	\$ 20,698	\$ 271,898
Accrued payroll.....	69,320	117,875	12,373	199,568
Notes payable.....	-	-	-	-
TOTAL LIABILITIES.....	292,570	145,825	33,071	471,466
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	191,392	-	-	191,392
FUND BALANCES				
Nonspendable.....	-	-	-	-
Restricted.....	4,245,498	4,017,105	184,276	8,446,879
TOTAL FUND BALANCES.....	4,245,498	4,017,105	184,276	8,446,879
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 4,729,460	\$ 4,162,930	\$ 217,347	\$ 9,109,737

Capital Project Funds						
Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	School Projects	Other	Subtotal
\$ 1,071,938	\$ 2,113,641	\$ 4,153	\$ 5,724,524	\$ 1,758,863	\$ 6,668,759	\$ 17,341,878
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,071,938</u>	<u>\$ 2,113,641</u>	<u>\$ 4,153</u>	<u>\$ 5,724,524</u>	<u>\$ 1,758,863</u>	<u>\$ 6,668,759</u>	<u>\$ 17,341,878</u>
\$ -	\$ -	\$ -	\$ 5,021	\$ 5,166	\$ 112,134	\$ 122,321
-	-	-	-	-	911	911
-	-	-	500,000	-	120,000	620,000
-	-	-	505,021	5,166	233,045	743,232
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,071,938</u>	<u>2,113,641</u>	<u>4,153</u>	<u>5,219,503</u>	<u>1,753,697</u>	<u>6,435,714</u>	<u>16,598,646</u>
<u>1,071,938</u>	<u>2,113,641</u>	<u>4,153</u>	<u>5,219,503</u>	<u>1,753,697</u>	<u>6,435,714</u>	<u>16,598,646</u>
<u>\$ 1,071,938</u>	<u>\$ 2,113,641</u>	<u>\$ 4,153</u>	<u>\$ 5,724,524</u>	<u>\$ 1,758,863</u>	<u>\$ 6,668,759</u>	<u>\$ 17,341,878</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2019

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
ASSETS					
Cash and cash equivalents.....	\$ 1,293,890	\$ 463,164	\$ 243,190	\$ 2,000,244	\$ 25,758,502
Investments.....	-	-	-	-	1,765,266
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	194,709
Intergovernmental - other.....	-	-	-	-	733,382
TOTAL ASSETS.....	\$ 1,293,890	\$ 463,164	\$ 243,190	\$ 2,000,244	\$ 28,451,859
LIABILITIES					
Warrants payable.....	\$ -	\$ 617	\$ -	\$ 617	\$ 394,836
Accrued payroll.....	-	-	-	-	200,479
Notes payable.....	-	-	-	-	620,000
TOTAL LIABILITIES.....	-	617	-	617	1,215,315
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	-	-	-	-	191,392
FUND BALANCES					
Nonspendable.....	901,799	350,825	40,802	1,293,426	1,293,426
Restricted.....	392,091	111,722	202,388	706,201	25,751,726
TOTAL FUND BALANCES.....	1,293,890	462,547	243,190	1,999,627	27,045,152
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 1,293,890	\$ 463,164	\$ 243,190	\$ 2,000,244	\$ 28,451,859

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

YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Subtotal
REVENUES:				
Charges for services.....	\$ 1,012,692	\$ -	\$ -	\$ 1,012,692
Intergovernmental - School Building Authority.....	-	-	-	-
Intergovernmental.....	998,751	4,846,781	443,809	6,289,341
Departmental and other.....	4,311,308	3,005,778	2,208,554	9,525,640
Contributions and donations.....	40,943	1,500	-	42,443
Investment income.....	159,339	-	-	159,339
TOTAL REVENUES.....	6,523,033	7,854,059	2,652,363	17,029,455
EXPENDITURES:				
Current:				
General government.....	1,064,529	-	-	1,064,529
Public safety.....	2,378,628	-	-	2,378,628
Education.....	-	6,748,542	2,657,400	9,405,942
Public works.....	54,908	-	-	54,908
Public facilities.....	185,620	-	-	185,620
Health and human services.....	1,759,690	-	-	1,759,690
Library.....	50,957	-	-	50,957
Capital outlay.....	30,000	-	-	30,000
TOTAL EXPENDITURES.....	5,524,332	6,748,542	2,657,400	14,930,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	998,701	1,105,517	(5,037)	2,099,181
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	-	-
Premium from issuance of bonds.....	28,833	-	-	28,833
Transfers in.....	162,792	-	-	162,792
Transfers out.....	(443,520)	-	-	(443,520)
TOTAL OTHER FINANCING SOURCES (USES).....	(251,895)	-	-	(251,895)
NET CHANGE IN FUND BALANCES.....	746,806	1,105,517	(5,037)	1,847,286
FUND BALANCES AT BEGINNING OF YEAR.....	3,498,692	2,911,588	189,313	6,599,593
FUND BALANCES AT END OF YEAR.....	\$ 4,245,498	\$ 4,017,105	\$ 184,276	\$ 8,446,879

Capital Project Funds

Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	School Projects	Other	Subtotal
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,239,504	-	1,239,504
-	-	-	-	-	-	-
-	-	-	231	-	-	231
-	-	-	-	-	-	-
-	-	-	231	1,239,504	-	1,239,735
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
132,469	178,618	33	6,239,539	1,917,001	5,895,049	14,362,709
132,469	178,618	33	6,239,539	1,917,001	5,895,049	14,362,709
(132,469)	(178,618)	(33)	(6,239,308)	(677,497)	(5,895,049)	(13,122,974)
-	-	-	3,775,000	1,392,000	1,418,000	6,585,000
-	-	-	-	-	742,000	742,000
6,000	-	-	4,400,000	-	3,675,077	8,081,077
-	-	-	(400,000)	-	(400,223)	(800,223)
6,000	-	-	7,775,000	1,392,000	5,434,854	14,607,854
(126,469)	(178,618)	(33)	1,535,692	714,503	(460,195)	1,484,880
1,198,407	2,292,259	4,186	3,683,811	1,039,194	6,895,909	15,113,766
\$ 1,071,938	\$ 2,113,641	\$ 4,153	\$ 5,219,503	\$ 1,753,697	\$ 6,435,714	\$ 16,598,646

(Continued)

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

YEAR ENDED JUNE 30, 2019

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 1,012,692
Intergovernmental - School Building Authority.....	-	-	-	-	1,239,504
Intergovernmental.....	-	-	-	-	6,289,341
Departmental and other.....	-	-	-	-	9,525,640
Contributions and donations.....	48,550	2,576	-	51,126	93,800
Investment income.....	22,264	5,626	3,448	31,338	190,677
TOTAL REVENUES.....	70,814	8,202	3,448	82,464	18,351,654
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	1,064,529
Public safety.....	-	-	-	-	2,378,628
Education.....	-	-	-	-	9,405,942
Public works.....	1,530	-	-	1,530	56,438
Landfill.....	-	-	-	-	185,620
Health and human services.....	-	-	1,800	1,800	1,761,490
Library.....	-	16,908	-	16,908	67,865
Capital outlay.....	-	-	-	-	14,392,709
TOTAL EXPENDITURES.....	1,530	16,908	1,800	20,238	29,313,221
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	69,284	(8,706)	1,648	62,226	(10,961,567)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	-	-	6,585,000
Premium from issuance of bonds.....	-	-	-	-	770,833
Transfers in.....	-	-	-	-	8,243,869
Transfers out.....	(6,000)	-	-	(6,000)	(1,249,743)
TOTAL OTHER FINANCING SOURCES (USES).....	(6,000)	-	-	(6,000)	14,349,959
NET CHANGE IN FUND BALANCES.....	63,284	(8,706)	1,648	56,226	3,388,392
FUND BALANCES AT BEGINNING OF YEAR.....	1,230,606	471,253	241,542	1,943,401	23,656,760
FUND BALANCES AT END OF YEAR.....	\$ 1,293,890	\$ 462,547	\$ 243,190	\$ 1,999,627	\$ 27,045,152

(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, 2019

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 114,991	\$ 374,564	\$ 7,992,843	\$ 197,564	\$ 8,679,962
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	242,459	-	242,459
TOTAL ASSETS.....	114,991	374,564	8,235,302	197,564	8,922,421
LIABILITIES					
CURRENT:					
Warrants payable.....	-	-	667,912	-	667,912
Health claims payable.....	-	-	1,912,000	-	1,912,000
Other liabilities.....	-	-	592,882	-	592,882
Workers' compensation.....	-	-	-	10,000	10,000
Total current liabilities.....	-	-	3,172,794	10,000	3,182,794
NONCURRENT:					
Workers' compensation.....	-	-	-	89,000	89,000
TOTAL LIABILITIES.....	-	-	3,172,794	99,000	3,271,794
NET POSITION					
Unrestricted.....	\$ 114,991	\$ 374,564	\$ 5,062,508	\$ 98,564	\$ 5,650,627

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

YEAR ENDED JUNE 30, 2019

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
OPERATING REVENUES:					
Employee contributions.....	\$ -	\$ -	\$ 7,434,525	\$ -	\$ 7,434,525
Employer contributions.....	-	8,883	21,249,865	80,842	21,339,590
Other operating revenues.....	<u>51,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,072</u>
TOTAL OPERATING REVENUES	<u>51,072</u>	<u>8,883</u>	<u>28,684,390</u>	<u>80,842</u>	<u>28,825,187</u>
OPERATING EXPENSES:					
Property and liability insurance.....	4,943	-	-	-	4,943
Employee benefits.....	<u>-</u>	<u>-</u>	<u>26,356,369</u>	<u>(455,523) (A)</u>	<u>25,900,846</u>
TOTAL OPERATING EXPENSES.....	<u>4,943</u>	<u>-</u>	<u>26,356,369</u>	<u>(455,523)</u>	<u>25,905,789</u>
OPERATING INCOME.....	<u>46,129</u>	<u>8,883</u>	<u>2,328,021</u>	<u>536,365</u>	<u>2,919,398</u>
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	<u>1,750</u>	<u>8,489</u>	<u>46,292</u>	<u>-</u>	<u>56,531</u>
CHANGE IN NET POSITION.....	<u>47,879</u>	<u>17,372</u>	<u>2,374,313</u>	<u>536,365</u>	<u>2,975,929</u>
NET POSITION AT BEGINNING OF YEAR.....	<u>67,112</u>	<u>357,192</u>	<u>2,688,195</u>	<u>(437,801)</u>	<u>2,674,698</u>
NET POSITION AT END OF YEAR.....	<u>\$ 114,991</u>	<u>\$ 374,564</u>	<u>\$ 5,062,508</u>	<u>\$ 98,564</u>	<u>\$ 5,650,627</u>

(A) Represents a decrease in the estimated worker's compensation liability.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers and users.....	\$ -	\$ -	\$ 7,434,525	\$ -	\$ 7,434,525
Receipts from interfund services provided.....	51,072	8,883	21,130,042	80,842	21,270,839
Payments to vendors.....	(4,943)	-	-	-	(4,943)
Payments for interfund services used.....	-	-	(25,754,904)	(75,477)	(25,830,381)
NET CASH FROM OPERATING ACTIVITIES.....	46,129	8,883	2,809,663	5,365	2,870,040
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Investment income.....	1,750	8,489	46,292	-	56,531
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	47,879	17,372	2,855,955	5,365	2,926,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	67,112	357,192	5,136,888	192,199	5,753,391
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 114,991	\$ 374,564	\$ 7,992,843	\$ 197,564	\$ 8,679,962
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>					
<u>TO NET CASH FROM OPERATING ACTIVITIES:</u>					
Operating income (loss).....	\$ 46,129	\$ 8,883	\$ 2,328,021	\$ 536,365	\$ 2,919,398
Adjustments to reconcile operating income to net Changes in assets and liabilities:					
Departmental and other.....	-	-	(119,823)	-	(119,823)
Warrants payable.....	-	-	512,704	-	512,704
Health claims payable.....	-	-	28,000	-	28,000
Other liabilities.....	-	-	60,761	-	60,761
Workers' compensation.....	-	-	-	(531,000)	(531,000)
Total adjustments.....	-	-	481,642	(531,000)	(49,358)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 46,129	\$ 8,883	\$ 2,809,663	\$ 5,365	\$ 2,870,040

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, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,319,193	\$ 1,773,986	\$ (1,920,056)	\$ 1,173,123
LIABILITIES				
Liabilities due depositors.....	\$ 1,319,193	\$ 1,773,986	\$ (1,920,056)	\$ 1,173,123

Statistical Section



Pomps Pond



West Parish Garden Cemetery

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets.....	\$ 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	118,786,722
Restricted.....	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	10,983,413
Unrestricted.....	(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)	(227,610,160)
Total governmental activities net position.....	\$ 71,739,031	\$ 63,695,076	\$ 61,154,070	\$ 67,031,136	\$ 74,110,239	\$ (28,000,575)	\$ (46,464,489)	\$ (103,348,084)	\$ (114,770,031)	(97,840,025)
Business-type activities										
Net investment in capital assets.....	\$ 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	43,602,463
Unrestricted.....	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	5,742,840
Total business-type activities net position.....	\$ 66,499,051	\$ 65,775,605	\$ 64,738,878	\$ 64,211,499	\$ 63,745,387	\$ 59,520,350	\$ 58,523,390	\$ 50,275,541	\$ 49,361,156	49,345,303
Primary government										
Net investment in capital assets.....	\$ 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	162,389,185
Restricted.....	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	10,983,413
Unrestricted.....	(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)	(221,867,320)
Total primary government net position.....	\$ 138,238,082	\$ 129,470,681	\$ 125,892,948	\$ 131,242,635	\$ 137,855,626	\$ 31,519,775	\$ 12,058,901	\$ (53,072,543)	\$ (65,408,875)	(48,494,722)
						(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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government.....	\$ 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	\$ 15,142,581
Public safety.....	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	30,810,933
Education.....	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	134,040,164
Public works.....	-	-	-	-	-	-	-	-	-	10,086,305
Public facilities.....	-	-	-	-	-	-	-	-	-	8,204,095
Municipal services.....	12,696,711	13,356,760	12,388,398	13,942,874	14,218,102	13,146,807	19,300,095	22,362,301	20,462,938	-
Community services.....	3,410,882	3,473,959	3,547,165	3,484,284	3,574,827	3,857,449	4,690,932	4,720,122	5,200,282	5,778,428
Library.....	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	4,392,675
Claims and judgments.....	-	-	-	-	-	-	-	-	-	13,500
Interest.....	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	2,540,131
Total government activities expenses.....	<u>159,561,908</u>	<u>160,753,614</u>	<u>161,156,324</u>	<u>164,747,288</u>	<u>170,372,647</u>	<u>172,854,967</u>	<u>200,314,867</u>	<u>209,894,119</u>	<u>215,463,029</u>	<u>211,008,812</u>
Business-type activities:										
Water.....	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	9,205,318
Sewer.....	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	4,583,488
Total business-type activities expenses.....	<u>10,086,128</u>	<u>12,309,672</u>	<u>12,256,344</u>	<u>12,065,840</u>	<u>12,353,606</u>	<u>12,284,839</u>	<u>13,634,333</u>	<u>13,598,956</u>	<u>15,171,109</u>	<u>13,788,806</u>
Total primary government expenses.....	<u>\$ 169,648,036</u>	<u>\$ 173,063,286</u>	<u>\$ 173,412,668</u>	<u>\$ 176,813,128</u>	<u>\$ 182,726,253</u>	<u>\$ 185,139,806</u>	<u>\$ 213,949,200</u>	<u>\$ 223,493,075</u>	<u>\$ 230,634,138</u>	<u>\$ 224,797,618</u>
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 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	\$ 6,412,569
Education charges for services.....	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	5,590,885
Other charges for services.....	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	4,276,929
Education operating grants and contributions.....	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	33,838,320
Other operating grants and contributions.....	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	1,711,092
General government capital grant and contributions.....	-	259,600	-	-	-	-	-	-	-	-
Municipal services capital grant and contributions.....	1,062,707	1,378,068	-	1,553,595	1,774,179	977,093	1,626,204	3,016,120	1,452,390	342,764
Education capital grant and contributions.....	-	-	-	7,690,079	7,013,590	-	-	-	1,104,315	-
Other capital grant and contributions.....	-	-	2,310,588	458,700	1,984,863	712,064	227,501	37,233	33,144	30,231
Total government activities program revenues.....	<u>38,473,947</u>	<u>39,258,510</u>	<u>41,379,607</u>	<u>49,961,467</u>	<u>50,914,063</u>	<u>38,861,842</u>	<u>44,486,787</u>	<u>51,440,612</u>	<u>53,949,974</u>	<u>52,202,790</u>
Business-type activities:										
Water charges for services.....	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	8,706,157
Sewer charges for services.....	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	4,933,904
Other capital grant and contributions.....	229,534	41,759	-	42,339	-	20,000	-	-	247,000	-
Total business-type activities program revenues.....	<u>10,427,697</u>	<u>11,576,705</u>	<u>11,210,792</u>	<u>11,528,216</u>	<u>11,862,122</u>	<u>11,843,368</u>	<u>12,603,178</u>	<u>13,240,318</u>	<u>14,173,860</u>	<u>13,640,061</u>
Total primary government program revenues.....	<u>\$ 48,901,644</u>	<u>\$ 50,835,215</u>	<u>\$ 52,590,399</u>	<u>\$ 61,489,683</u>	<u>\$ 62,776,185</u>	<u>\$ 50,705,210</u>	<u>\$ 57,089,965</u>	<u>\$ 64,680,930</u>	<u>\$ 68,123,834</u>	<u>\$ 65,842,851</u>
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (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)	\$ (158,806,022)
Business-type activities.....	341,569	(732,967)	(1,045,552)	(537,624)	(491,484)	(441,471)	(1,031,155)	(358,638)	(997,249)	(148,745)
Total primary government net (expense)/program revenue.....	<u>\$ (120,746,392)</u>	<u>\$ (122,228,071)</u>	<u>\$ (120,822,269)</u>	<u>\$ (115,323,445)</u>	<u>\$ (119,950,068)</u>	<u>\$ (134,434,596)</u>	<u>\$ (156,859,235)</u>	<u>\$ (158,812,145)</u>	<u>\$ (162,510,304)</u>	<u>\$ (158,954,767)</u>

(continued)

Changes in Net Position

Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 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	\$ 144,265,717
Tax liens.....	416,598	352,839	231,426	420,138	127,902	761,023	33,265	331,830	324,654	678,899
Motor vehicle excise taxes.....	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	6,115,370
Hotel/motel tax.....	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	2,360,307
Meals tax.....	136,239	478,403	517,177	547,235	506,658	545,489	570,252	583,007	621,317	622,132
Penalties and interest on taxes.....	286,866	409,888	416,902	298,550	554,802	461,456	400,186	417,131	337,580	572,136
Grants and contributions not restricted to specific programs.....	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	2,099,148
Unrestricted investment income.....	550,684	315,873	273,240	74,364	164,538	230,715	264,490	232,297	553,617	1,348,115
Miscellaneous.....	-	217,576	249,261	139,881	105,957	71,919	69,271	49,925	-	-
Extraordinary Items:										
Gas disaster settlement funds.....	-	-	-	-	-	-	-	-	-	19,381,109
Gas disaster expenses.....	-	-	-	-	-	-	-	-	-	(1,706,855)
Total governmental activities.....	109,315,576	113,451,149	117,235,711	120,662,887	126,537,687	131,941,606	137,364,166	145,283,885	150,091,108	175,736,078
Business-type activities:										
Unrestricted investment income.....	14,785	9,521	8,825	10,245	25,372	31,733	34,195	48,981	82,864	132,892
Total primary government general revenues and other changes in net position.....	\$ 109,330,361	\$ 113,460,670	\$ 117,244,536	\$ 120,673,132	\$ 126,563,059	\$ 131,973,339	\$ 137,398,361	\$ 145,332,866	\$ 150,173,972	\$ 175,868,970
Changes in Net Position										
Governmental activities.....	\$ (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)	\$ 16,930,056
Business-type activities.....	356,354	(723,446)	(1,036,727)	(527,379)	(466,112)	(409,738)	(996,960)	(309,657)	(914,385)	(15,853)
Total primary government changes in net position.....	\$ (11,416,031)	\$ (8,767,401)	\$ (3,577,733)	\$ 5,349,687	\$ 6,612,991	\$ (2,461,257)	\$ (19,460,874)	\$ (13,479,279)	\$ (12,336,332)	\$ 16,914,203

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

Fund Balances, Governmental Funds

Last Ten Years

	<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>2019</u>
General Fund										
Reserved.....	\$ 1,208,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	3,250,042	-	-	-	-	-	-	-	-	-
Restricted.....	-	-	-	1,092,228	978,024	877,138	782,526	693,100	608,191	529,791
Committed.....	-	13,999	13,999	100,734	2,354,757	5,132,811	2,166,450	2,020,002	1,934,625	1,250,674
Assigned.....	-	817,053	2,197,122	1,181,371	1,049,914	1,176,478	1,470,172	1,361,449	1,340,429	1,194,620
Unassigned.....	-	8,106,788	10,772,493	12,715,770	14,603,525	12,835,260	12,952,202	17,826,724	17,887,242	18,495,850
Total general fund.....	\$ 4,458,198	\$ 8,937,840	\$ 12,983,614	\$ 15,090,103	\$ 18,986,220	\$ 20,021,687	\$ 17,371,350	\$ 21,901,275	\$ 21,770,487	\$ 21,470,935
All Other Governmental Funds										
Reserved.....	\$ 1,274,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	10,747,094	-	-	-	-	-	-	-	-	-
Capital projects funds.....	226,609	-	-	-	-	-	-	-	-	-
Permanent funds.....	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	1,293,426
Restricted.....	-	8,296,921	13,319,927	19,275,015	22,692,841	18,046,721	20,068,946	16,376,243	22,607,870	43,363,411
Unassigned.....	-	-	(2,174,741)	-	-	(114,313)	-	-	(266,464)	-
Total all other governmental funds.....	\$ 12,745,596	\$ 9,556,732	\$ 12,419,936	\$ 20,553,501	\$ 23,954,579	\$ 19,200,755	\$ 21,349,729	\$ 17,662,277	\$ 23,656,760	\$ 44,656,837

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	144,045,522
Motor vehicle and other excise taxes.....	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	6,176,998
Intergovernmental.....	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	40,531,158
Departmental and other.....	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	20,512,027
Interest income.....	660,607	350,374	306,101	52,399	202,101	211,262	254,575	199,876	532,246	1,291,584
Total Revenue.....	148,783,979	152,837,408	162,125,311	167,964,081	177,997,221	174,850,931	183,008,900	196,267,084	202,079,406	212,557,289
Expenditures:										
General government.....	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	8,782,567
Public safety.....	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	19,107,218
Education.....	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	92,626,935
Public works.....	-	-	-	-	-	-	-	-	-	9,867,616
Public facilities.....	-	-	-	-	-	-	-	-	-	3,379,317
Municipal services.....	10,526,055	10,885,100	11,227,120	11,005,407	10,986,859	13,161,484	11,071,883	13,768,109	13,503,004	-
Community services.....	2,726,573	2,767,944	2,874,439	2,972,973	2,893,483	3,042,960	3,400,352	3,296,991	3,701,839	4,071,541
Library.....	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	2,810,728
Pension benefits.....	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	27,887,605
Property and liability insurance.....	485,701	734,996	827,013	717,613	777,873	775,186	733,618	1,184,199	884,567	1,370,444
Employee benefits.....	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	21,873,978
Claims and judgments.....	-	-	-	-	-	-	-	-	-	13,500
State and county charges.....	3,072,718	2,860,658	2,433,163	2,468,820	2,817,601	756,777	649,170	598,992	680,010	831,295
Capital outlay.....	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	14,392,709
Debt service:										
Principal.....	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	6,901,604
Interest.....	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	2,969,794
Total Expenditures.....	152,617,682	158,296,630	160,846,638	180,001,813	197,142,210	183,826,942	186,436,163	197,762,711	215,821,606	216,886,851
Excess of revenues over (under) expenditures.....	(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)	(4,329,562)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	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	6,585,000
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	770,833
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.....	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	9,247,389
Transfers out.....	(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)	(9,247,389)
Total other financing sources (uses).....	7,252,909	6,750,000	5,630,305	22,277,786	26,442,184	5,257,654	2,925,900	2,338,100	19,605,895	7,355,833
Extraordinary Items:										
Gas disaster settlement funds.....	-	-	-	-	-	-	-	-	-	19,381,109
Gas disaster expenses.....	-	-	-	-	-	-	-	-	-	(1,706,855)
	-	-	-	-	-	-	-	-	-	17,674,254
Net change in fund balance.....	\$ 3,419,206	\$ 1,290,778	\$ 6,908,978	\$ 10,240,054	\$ 7,297,195	\$ (3,718,357)	\$ (501,363)	\$ 842,473	\$ 5,863,695	20,700,525
Debt service as a percentage of noncapital expenditures.....	5.39%	4.99%	5.34%	4.89%	5.49%	6.36%	6.19%	5.05%	4.54%	4.82%

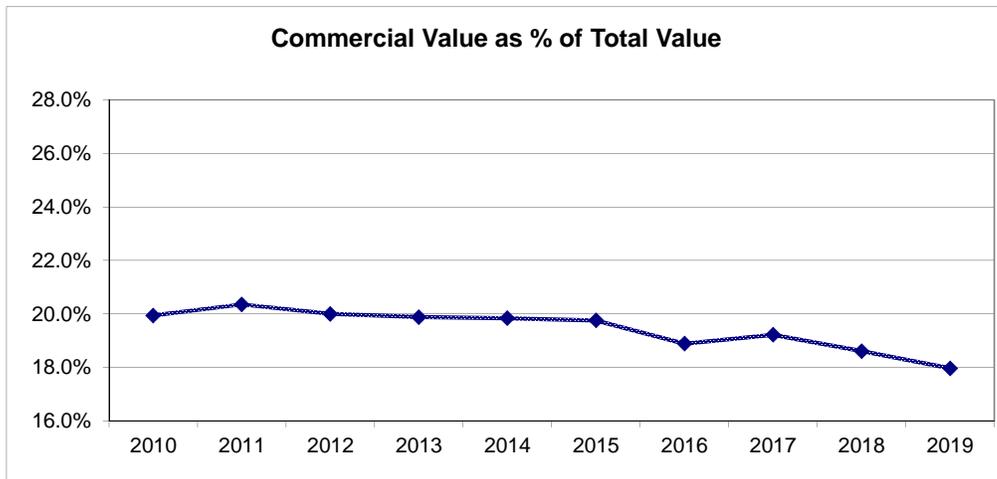
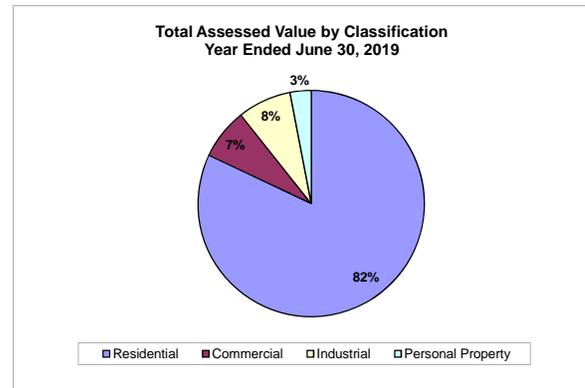
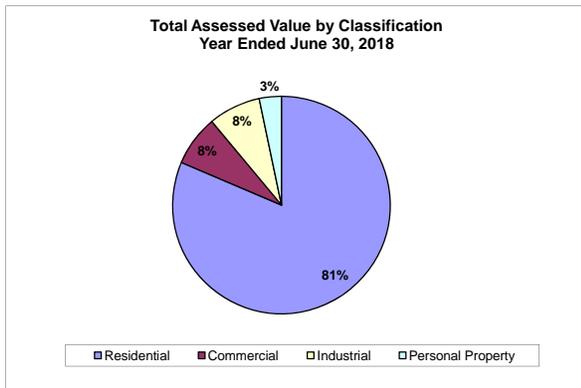
Notes:

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

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential/ Open Space Value	Residential/ Open Space Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
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
2019	\$ 6,825,956,695	\$ 15.27	\$ 605,393,222	\$ 639,205,100	\$ 250,782,409	\$ 1,495,380,731	\$ 27.51	\$ 17.47	\$ 8,321,337,426



(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

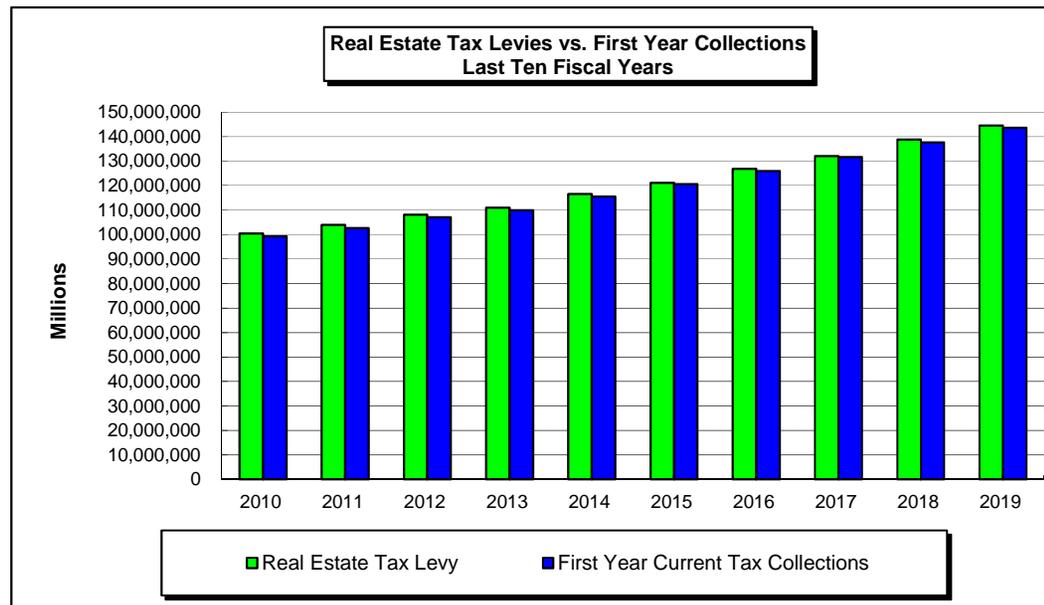
Name	Property Type	2019			2010		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Whetstone	Commercial/Industrial	\$ 99,676,500	1	1.89%	\$ -	-	-
Genetics Institute, Inc (Pfizer)	Industrial	\$ 87,004,400	2	1.65%	\$ -	-	-
Philips Electro No Amer Corp. (Agilent)	Industrial	\$ 53,445,700	3	1.01%	\$ 54,272,000	3	0.79%
Mass Electric Co	Industrial/Utility	\$ 45,234,310	4	0.86%	\$ -	-	-
Raytheon Company	Industrial/Residential	\$ 43,722,100	5	0.83%	\$ 32,116,800	10	0.47%
Eisai Research Institute	Commercial/Industrial	\$ 43,156,620	6	0.82%	\$ 39,882,100	7	0.58%
Hewlett Packard Enterprise Co.	Industrial/Residential	\$ 40,680,540	7	0.77%	\$ -	-	-
Proctor & Gamble (Gillette)	Industrial	\$ 36,718,100	8	0.69%	\$ 36,974,700	8	0.54%
Columbia Gas of Massachusetts	Personal Property	\$ 34,845,370	9	0.66%	\$ -	-	-
Navisite, Inc	Personal Property	\$ 32,756,850	10	0.62%	\$ -	-	-
Wyeth (Genetics Institute)	Industrial	\$ -	-	-	\$ 86,425,800	1	1.26%
Transwestern Brickstone Square LLC (Andover Mills)	Commercial/Industrial	\$ -	-	-	\$ 75,409,300	2	1.10%
RREEF America REIT III Corp ZI	Commercial/Industrial	\$ -	-	-	\$ 49,147,300	4	0.72%
CA Investment Trust	Industrial	\$ -	-	-	\$ 44,596,600	5	0.65%
One Hundred Minuteman LLC	Industrial	\$ -	-	-	\$ 43,415,700	6	0.63%
Lincoln Park LLC (Putnam Investments)	Commercial	\$ -	-	-	\$ 33,342,000	9	0.49%
	Totals	<u>\$517,240,490</u>		<u>9.80%</u>	<u>\$495,582,300</u>		<u>7.23%</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
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%	\$ 986,297	\$ 103,611,979	99.74%
2012	(1) \$ 108,874,156	\$ 857,191	\$ 108,016,965	\$ 107,067,732	99.12%	\$ 918,331	\$ 107,986,063	99.97%
2013	\$ 111,893,513	\$ 985,564	\$ 110,907,949	\$ 109,842,289	99.04%	\$ 906,845	\$ 110,749,134	99.86%
2014	\$ 117,506,432	\$ 981,734	\$ 116,524,698	\$ 115,439,167	99.07%	\$ 885,751	\$ 116,324,918	99.83%
2015	(1) \$ 122,233,763	\$ 1,159,706	\$ 121,074,057	\$ 120,524,220	99.55%	\$ 385,051	\$ 120,909,271	99.86%
2016	\$ 127,696,871	\$ 876,380	\$ 126,820,491	\$ 125,835,396	99.22%	\$ 975,827	\$ 126,811,223	99.99%
2017	\$ 132,983,361	\$ 907,823	\$ 132,075,538	\$ 131,568,459	99.62%	\$ 428,219	\$ 131,996,678	99.94%
2018	\$ 139,352,561	\$ 591,466	\$ 138,761,095	\$ 137,603,164	99.17%	\$ 734,054	\$ 138,337,218	99.69%
2019	\$ 145,370,283	\$ 830,408	\$ 144,539,875	\$ 143,650,782	99.38%	\$ -	\$ 143,650,782	99.38%



(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
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%
2019	32,336	\$ 2,525,288,974	\$ 8,314,305,626	\$ 84,889,229	\$ 136,014	\$ 2,629	3.37%	1.02%

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
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%
2019	\$ 27,899,916	\$ -	\$ 112,925,159	\$ 3,492	4.47%	1.36%

(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, 2019

<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.....	\$ 14,170,000	1.8%	\$ 520,524
Greater Lawrence Sanitary District.....	21,356,581	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>84,889,229</u>
Total direct and overlapping debt.....			<u>\$ 87,361,794</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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equalized Valuation.....	\$ 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	\$ 8,453,211,200
Debt Limit -5% of Equalized Valuation.....	\$ 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	\$ 422,660,560
Less:										
Outstanding debt applicable to limit.....	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	68,407,800
Authorized and unissued debt.....	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	42,484,000
Legal debt margin.....	\$ 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	\$ 311,768,760
Total debt applicable to the limit as a percentage of debt limit.....	23.97%	36.24%	37.60%	35.35%	25.58%	27.97%	23.49%	25.05%	29.55%	26.24%

Source: Official Statement for Sale of Bonds

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
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	39.5	2.8%
2019	32,336	\$ 2,525,288,974	\$ 78,095	42.3	2.7%

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

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2019			2010		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	4,750	1	17%	3,300	1	11%
Internal Revenue Services	Regional Service Center	3,500	2	12%	2,340	2	8%
Philips Electro No Amer Corp. (Agilent)	Medical Electronics	2,300	3	8%	2,000	3	7%
Pfizer	Biotechnology Research & Manufacturing	1,200	4	4%	1,835	4	6%
Putnam Investments	Mutual Funds	900	5	3%	1,050	6	3%
Vicor	Computer Equipment	850	6	3%	923	7	3%
Schneider Electric Software	Energy Management	750	7	3%	-	-	-
Verizon	Communications	600	8	2%	790	8	3%
Philips Academy	Private School	555	9	2%	1,186	5	4%
Hewlett Packard (Compaq)	Computer Equipment	500	10	2%	800	9	3%
Enterasys	Data Processing Services	-	-	-	600	10	2%

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent Town Employees

Last Ten Years

	<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>2019</u>
<u>Full-Time Equivalents</u>										
Town.....	347	344	344	350	351	356	356	358	359	359
School.....	<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>	<u>906</u>
Total	<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>	<u>1,265</u>

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Population.....	33,700	33,201	33,201	31,656	31,942	31,617	32,101	32,677	32,323	32,336
Registered Voters, Annual Town Election.....	20,705	20,705	20,705	22,828	22,944	22,442	23,302	24,326	23,855	23,952
Town Clerk										
Births.....	220	220	220	206	239	186	243	245	241	265
Marriages.....	122	122	122	133	134	90	137	123	136	126
Deaths.....	233	233	233	229	255	226	293	280	263	258
Dogs licensed.....	2,469	2,469	2,469	2,527	2,468	2,370	2,338	2,365	2,222	2,196
Fishing & Hunting Licenses	244	244	244	-	-	-	-	-	-	-
Business Certificates.....	70	70	70	78	168	95	111	112	158	163
New Voter Registrations.....	1,296	1,296	1,296	2,433	960	1,322	2,319	2,520	1,598	2,095
Passport Applications.....	531	531	531	-	-	-	-	-	-	-
Public Safety										
Police										
Documented calls for police services.....	34,495	34,495	34,495	33,863	35,514	28,179	28,017	29,964	31,430	28,415
Arrests.....	496	496	496	412	420	398	406	348	390	282
Domestic Abuse.....	45	45	45	53	52	43	48	62	65	47
Vandalism.....	130	130	130	131	108	108	123	96	124	70
Larceny.....	257	257	257	313	329	267	283	285	276	262
Assaults.....	40	40	40	49	42	38	30	83	42	30
Breaking & Entering.....	73	73	73	50	50	35	51	24	31	33
Motor Vehicle accidents.....	924	924	924	847	850	887	835	906	973	985
Parking tickets issued.....	5,187	5,187	5,187	5,072	5,389	4,200	3,825	3,424	3,799	2,995
Total number of animal complaints.....	713	713	713	693	578	688	806	829	731	655
Fire										
Incidents										
Fires.....	923	923	923	766	690	653	738	812	857	952
EMS Calls.....	2,696	2,696	2,696	2,746	2,740	3,160	3,131	3,214	3,522	3,526
Motor Vehicle Accidents.....	255	255	255	288	308	330	338	285	571	549
Hazardous Conditions.....	280	280	280	312	276	295	249	243	318	785
False Alarms & False Calls.....	752	752	752	748	685	728	740	796	913	1,084
Good Intent Calls.....	126	126	126	129	93	87	104	80	123	215
Mutual Aid (Fire Calls).....	29	29	29	34	32	37	49	54	39	39
Ambulance Mutual Aid Calls.....	51	51	51	116	102	142	112	124	119	105

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire Prevention Activities.....	939	939	939	945	1,754	1,008	916	914	1,982	2,105
Service Calls.....	408	408	408	499	425	619	619	651	599	596
Training.....	137	137	137	302	215	202	181	229	177	190
Co-Activation.....	141	141	141	130	146	155	119	124	149	184
Permits/certificates issued										
Smoke Detectors.....	450	450	450	574	575	600	651	897	744	664
Report Copies.....	60	60	60	48	58	74	64	82	89	109
Blasting Permits.....	2	2	2	-	2	2	3	3	2	3
Cutting/Welding Permits.....	31	31	31	31	34	48	41	44	56	84
Dumpster Permits.....	180	180	180	188	257	317	362	330	218	180
Fireworks Display Permits.....	1	1	1	2	3	4	4	4	6	6
Gunpowder Storage Permits.....	-	-	-	-	-	1	-	1	2	1
Liquid Gas Storage Permits.....	76	76	76	106	69	73	90	79	77	205
Flammable Liquid Storage Permits.....	47	47	47	47	46	61	55	67	72	54
Miscellaneous Permits.....	-	-	-	-	6	73	3	5	7	2
Open Air Burning Permits.....	519	519	519	365	255	222	267	246	364	240
Oil Burner Install Permits.....	147	147	147	100	113	98	110	79	92	116
Commercial Fire Alarm Systems.....	68	68	68	58	124	27	40	42	8	4
Special Suppression System Permits.....	2	2	2	6	13	2	6	5	3	11
Sprinkler Install Permits.....	72	72	72	90	64	41	64	55	26	19
Underground Tank Re-certification.....	18	18	18	14	19	6	N/A	N/A	N/A	N/A
Underground Tank Removals.....	58	58	58	91	67	68	82	4	3	5
Building Department										
Permits issued.....	1,345	1,345	1,345	1,252	1,652	1,771	1,994	1,940	2,020	2,175
Education										
Public school enrollment.....	6,121	6,121	6,121	6,262	6,110	6,076	6,075	5,991	5,924	5,957
Public Works										
Cemetery										
Lots sold.....	33	33	33	70	40	55	74	48	34	29
Interments/cremations.....	75	75	75	84	64	70	80	71	81	69

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Human Services										
Board of Health										
Plan reviews.....	269	269	269	282	505	262	207	251	210	148
Inspections										
Restaurant	278	278	278	385	353	327	288	391	469	616
Environmental/Sanitary Code.....	322	322	322	418	403	448	311	532	622	512
Complaints investigated.....	138	138	138	101	98	99	108	133	127	148
Administrative Hearings.....	4	4	4	2	5	7	6	4	4	1
Council on Aging										
Home delivered meals served.....	25,589	25,589	25,589	21,012	22,764	22,992	23,108	23,044	26,194	23,810
Medical-van trips.....	1,399	1,399	1,399	1,502	1,352	1,366	1,865	1,461	1,295	1,159
Libraries										
Program attendance.....	16,664	16,664	16,664	17,016	22,570	25,473	32,214	33,483	33,593	34,930
Books & Periodicals.....	364,795	364,795	364,795	394,506	386,137	372,179	363,419	345,054	330,907	311,392
PC & Internet Use.....	76,124	76,124	76,124	65,780	53,965	49,220	47,060	50,054	62,400	47,320
Reference Questions.....	67,195	67,195	67,195	72,163	68,835	73,749	65,338	69,381	69,237	69,111
Non-Print Circulation.....	144,489	144,489	144,489	197,921	196,615	179,372	164,300	152,232	141,127	141,439
Sewer										
Service connections.....	6,200	6,200	6,200	6,200	6,200	5,900	6,534	6,518	6,559	6,565
Water										
Daily consumption (in million gallons).....	6.900	6.900	6.900	6.900	7.200	7.100	7.424	6.993	6.995	7.080

Source: Various Town Departments

(concluded)

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</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>2019</u>
General Government										
Number of Buildings.....	16	16	16	16	16	20	20	19	19	20
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	3	3	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	235	222	223	258	258	258
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,369	2,374	2,382	2,382	2,382
Sanitary sewers (miles).....	146	146	146	146	146	137	137	137	150	137
Storm sewers (miles).....	80	80	80	80	80	120	120	120	120	120
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	20	20	20	21	21
Parks.....	4	4	4	4	4	6	6	9	9	9
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.1	4.4	4
Parks - Acreage.....	29.60	29.60	29.60	29.60	29.60	29.60	29.60	41	41	41
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	31	31	31	31	31	39	40	40	40	40
Tennis courts.....	10	10	10	10	10	11	11	11	11	11

Source: Various Town Departments

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Years

	<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>2019</u>
Levy Limit.....	\$ 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	\$ 146,503,846
Previous Levy.....	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	136,417,582
Legal Increase.....	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	3,410,440
New Growth.....	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	2,772,929
Debt Exclusion.....	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	3,902,896
Maximum Taxing Capacity...	<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>	<u>\$ 146,503,847</u>
Actual Levy.....	\$ 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	\$ 145,370,281
Unused Levy Capacity.....	\$ 60,863	\$ 70,925	\$ 201,319	\$ 715,811	\$ 352,636	\$ 2,001,783	\$ 1,603,770	\$ 1,323,436	\$ 1,105,875	\$ 1,133,565

Source: Assessor's Department, Town of Andover