

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



Mill Entrance

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For the Year Ended June 30, 2016



Library

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TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2016



Prepared by:

Hayley Green, Town Auditor

TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2016

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Introductory Section



Phillips Academy

Photo by: Joan Roman

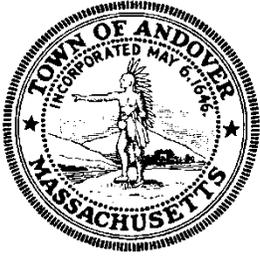


Ward Reservation

Photo by: Joan Roman

Introductory Section

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Town of Andover

36 Bartlet Street
Andover, Massachusetts 01810
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Letter of Transmittal

January 25, 2017

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, 2016 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, 2016, 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, 2016, 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, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

A Year of Change

2016 has continued to be a positive year of transition for the Town of Andover. Town Manager Andrew P. Flanagan completed his first year serving the Town and has since appointed John S. Mangiaratti as Deputy Town Manager. Additionally, Town Manager Flanagan reorganized the Recreation Division, Elder Services Division, Youth Services Division and Veterans Division under one Community Services Department. This effort was a move towards a more efficient and effective operation of each division. The Town Manager appointed Joseph Connelly as the Director of Community Services.

Profile of the Town

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

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

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

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

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

decisions of the Town. Town Meeting is facilitated by an elected Town Moderator, who is responsible for appointing a nine member Finance Committee, which in turn is responsible for advising Town Meeting on matters brought before it.

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

Factors Affecting Economic Condition

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

Local economy: Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail line, and proximity to international airports in Boston, MA and Manchester, NH, Andover is a true business "cross roads." The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed use commercial areas. Andover is a highly sought after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, life science, pharmaceutical, biotech, and medical products. Andover's largest commercial/industrial employers are Raytheon, Internal Revenue Service, Philips Medical, Pfizer, Putman Investments, Vicor, Phillips Academy, Schneider Electric and Hewlett Packard. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$6.84 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation. This continued expansion of commercial and industrial properties has been consistent over the past year, with a \$2 million dollar investment by the new owners of Brickstone Square in amenity upgrades, a new Andover Town Market, expansion of LaRossa's, a 30,000 square foot addition underway at the Andover Medical Center, with Pfizer commencing construction on a new \$200 million dollar 178,000 square foot addition to their existing campus

As for educational/non-profits, this past fall Philips Academy opened their new 30,000 square foot Wellness Center and are currently in the midst of constructing a new 101,500 square foot field house. The YMCA has just completed a renovation/addition to their new 100,000 square foot facility, the Primrose School is presently under construction of their new 13,000 square foot facility, with Merrimack College receiving approval in August 2016 for construction of three academic buildings totaling 79,950 square feet.

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 \$112.1 million worth of long and short-term debt. This indebtedness consists of approximately \$79.2 million of general government debt and \$32.9 million of enterprise fund debt which is self-supporting through enterprise fund revenues.

The Town has authorized but unissued debt for school construction, land acquisition, landfill closure, water and sewer infrastructure and other various projects totaling \$25.5 million as of June 30, 2016.

In 2016 the Town added another \$600,000 to the "Bond Premium Stabilization Fund" for the purpose of paying principal and interest on non-exempt debt. The Town's general Stabilization fund totals \$6.2 million as of June 30, 2016.

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

Cash management policies and practices: The Town issues property tax bills quarterly and derives approximately 75% of annual General Fund revenue from this source. The quarterly billings result in a cyclical build-up and then spend-down of operational cash reserves. Every effort is made to put our reserves to work. For the past 48 months, this has been a challenging proposition due to the struggling economy and the accompanying weak financial markets which has resulted in a low rate of return for most traditional investment vehicles. The Federal Open Market Committee has dropped the Federal Funds Rate from 1.0% down to a sliding scale of 0.0% to .025%. Short term rates, and most permissible investments, are highly influenced by this rate. The Fed expects to keep this rate structure for an extended period of time because they are of the opinion that the economic recovery will be a very slow and gradual process and raising rates could stagnate the recovery cycle. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

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

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

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

institutions, the Treasurer monitors the investments, and the market, to keep abreast of what is happening with the investment environment.

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

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

Pension and other postemployment benefits: The Town 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 41.8% of the present value of the projected benefits earned by employees based on the most recent actuarial valuation dated January 1, 2016. The Town recently built in an additional \$1 million into their annual appropriation, reducing their funding schedule from 2040 to 2032, saving approximately \$82 million in interest expense. The System will be conducting its next actuarial valuation as of 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) in 2013 and has continued to make deposits; Town Meeting appropriated \$790,000 to the OPEB Trust Fund bringing the balance in the fund to \$5.4 million.

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

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

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

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the functional level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing

payment. Additional appropriations may be approved at subsequent Town Meetings. These controls ensure compliance with the budget approved by Town Meeting.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. This was the twelfth 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.

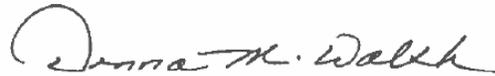
The preparation of this report would not have been possible without the efficient and dedicated services of the Town's financial team. We would like to express our sincere appreciation to Town Auditor, Hayley Green and all members, both Town and School, who assisted and contributed in the preparation 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 2016 CAFR.

Respectfully submitted,



Andrew P. Flanagan
Town Manager



Donna Walsh
Finance Director/Interim Town Accountant



Government Finance Officers Association

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

Presented to

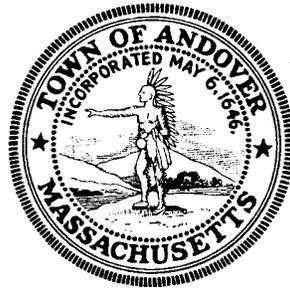
**Town of Andover
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

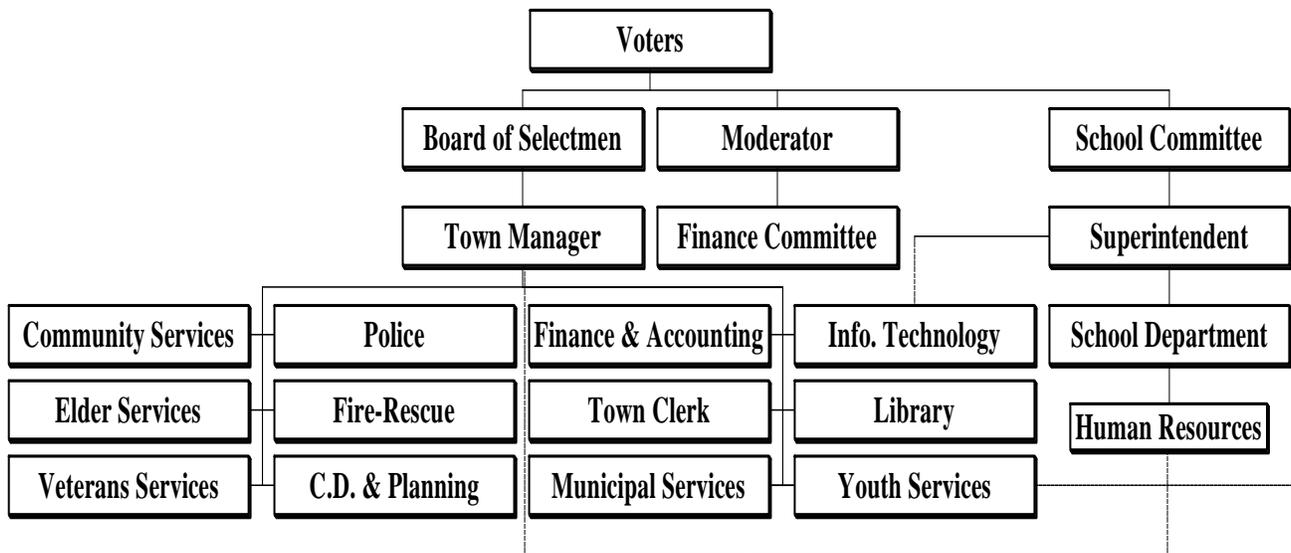
June 30, 2015

Executive Director/CEO

Town of Andover



Organizational Chart



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

Principal Town Officials

Elected Officials

Board of Selectmen

Paul J. Salafia, Chair
Alexander J. Vispoli, Vice Chairman
Mary T. O'Donoghue, Secretary
Daniel H. Kowalksi
Robert A. Landry

Town Moderator

Sheila M. Doherty

School Committee

Joel G. Blumstein, Chair
Susan McCready, Vice Chair
Ted Teichert
Shannon Scully
Paul Murphy

Appointed Officials

Town Manager

Andrew P. Flanagan

Superintendent of Schools

Dr. Sheldon Berman

Town Accountant

Vacant

Finance Director

Donna Walsh

Treasurer

David J. Reilly

Town Assessor

David Billard

Town Clerk

Lawrence J. Murphy

Fire Chief

Michael B. Mansfield

Police Chief

Patrick Keefe

Human Resources Director

Candace A. Hall-Nourse

Library Director

Beth H. Mazin

Municipal Services Director

Christopher M. Cronin

Chief Information Officer

Paul Puzzanghera

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Financial Section



West Parrish Cemetery

Photo by: Joan Roman



Mill and Canoe

Photo by: Joan Roman

Financial Section

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Andover, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts as of and for the year ended June 30, 2016 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2015), 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, 2016 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2015), 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 January 25, 2017, 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.



January 25, 2017

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, 2016. 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 \$17.4 million which represents 11.6% of total general fund budgetary basis expenditures.
- The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent year by \$12.1 million (net position).
- The noncurrent governmental liabilities (excluding debt) increased by \$60.3 million, which was primarily due to a \$49.9 million increase in the net pension liability, an \$8.8 million increase in the other postemployment benefits (OPEB) liability and a \$1.4 million increase in the landfill closure liability.
- The governmental net deferred outflows/ (inflows) of resources related to pensions increased by \$39.7 million which will be recognized as expense over the next five years.
- The total gross debt (short-term and long-term combined) decreased by \$7.7 million during the current year. This was due to the net effect of \$13.2 million in principal payments on outstanding debt, and the issuance of an additional \$8.4 million of debt for school construction, municipal buildings, roadway improvements, and water infrastructure improvements.
- The Town contributed an additional \$790,000 to the OPEB trust fund in 2016 and at year-end the trust fund had a net position of \$5.4 million.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12.1 million at the close of 2016, which was a decrease of \$19.5 million from the prior year.

Net position of \$162 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, \$8.5 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 \$158.4 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 \$46.5 million at the close of 2016, which was a decrease of \$18.5 million from the prior year.

	2016	2015
Assets:		
Current assets.....	\$ 64,486,149	\$ 63,507,804
Noncurrent assets (excluding capital).....	237,390	1,370,693
Capital assets.....	186,581,471	185,738,770
Total assets.....	251,305,010	250,617,267
Deferred Outflows of Resources:		
Deferred charges on refunding.....	436,599	592,617
Deferred outflows of resources related to pensions.....	42,901,720	230,364
Total deferred outflows of resources.....	43,338,319	822,981
Liabilities:		
Current liabilities (excluding debt).....	17,712,715	13,268,492
Noncurrent liabilities (excluding debt).....	241,203,347	180,928,755
Current debt.....	8,530,045	9,776,821
Noncurrent debt.....	70,658,635	75,466,755
Total liabilities.....	338,104,742	279,440,823
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	3,003,076	-
Net Position:		
Net investment in capital assets.....	119,176,309	113,175,340
Restricted.....	8,492,277	10,051,326
Unrestricted.....	(174,133,075)	(151,227,241)
Total net position.....	\$ (46,464,489)	\$ (28,000,575)

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services..... \$	14,677,411	\$ 13,888,301
Operating grants and contributions.....	27,955,671	23,284,384
Capital grants and contributions.....	1,853,705	1,689,157
General Revenues:		
Real estate and personal property taxes.....	126,409,719	120,794,299
Motor vehicle and other excise taxes.....	7,330,787	6,846,794
Nonrestricted grants.....	2,286,196	2,229,911
Unrestricted investment income.....	264,490	230,715
Other revenues.....	1,072,974	1,839,887
Total revenues.....	<u>181,850,953</u>	<u>170,803,448</u>
Expenses:		
General government.....	13,441,576	11,356,864
Public safety.....	28,947,658	25,090,468
Education.....	126,990,371	112,779,199
Municipal services.....	19,300,095	13,146,807
Community services.....	4,690,932	3,857,449
Library.....	4,704,562	3,948,793
Interest.....	2,239,673	2,675,387
Total expenses.....	<u>200,314,867</u>	<u>172,854,967</u>
Change in net position.....	(18,463,914)	(2,051,519)
Net position - beginning of year.....	<u>(28,000,575)</u>	<u>(25,949,056)</u>
Net position - end of year..... \$	<u>(46,464,489)</u>	<u>(28,000,575)</u>

The governmental expenses totaled \$200.3 million of which \$44.5 million (22%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$137.3 million, primarily coming from property taxes, motor vehicle excise and other excise taxes, and non-restricted state aid.

The governmental net position decreased by \$18.5 million during the current year. This decrease was primarily the result of the Town changing the discount rate assumption on Pensions from 7.75% used prior to fiscal 2016 to a 6.25% rate used in fiscal 2016. This was the main factor that increased the net pension liability by \$49.9. The GASB requires that expense related to a change in assumption be amortized over several years. Therefore the increase to the liability was offset by a \$39.7 increase in deferred outflows of resources related to pensions to be amortized over the next 5 years. Net position was also decrease by an \$8.8 million increase in the other postemployment benefits liability.

Governmental expenses increased by \$27.5 million. The largest components of this increase were an \$14.2 million increase in education expenses, an \$3.9 increase in public safety expenses, and a \$6.2 million increase in municipal services. These increases are primarily due to increased contributions made by the Commonwealth, on-behalf of the Town, to the Massachusetts Teachers Retirement System, increases in employee benefits, as well as fluctuations in the post-closure landfill liability.

Business-Type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58.5 million at the close of 2016.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 20,820,137	\$ 21,215,320
Noncurrent assets (excluding capital).....	6,325,979	7,312,150
Capital assets.....	<u>70,662,966</u>	<u>71,738,237</u>
Total assets.....	97,809,082	100,265,707
Deferred outflows of resources:		
Deferred charges on refunding.....	267,567	348,908
Deferred outflows of resources related to pensions.....	<u>2,244,056</u>	<u>8,784</u>
Total deferred outflows of resources.....	2,511,623	357,692
Liabilities:		
Current liabilities (excluding debt).....	699,062	1,101,508
Noncurrent liabilities (excluding debt).....	7,895,056	5,475,993
Current debt.....	4,977,565	3,331,742
Noncurrent debt.....	<u>27,916,240</u>	<u>31,193,806</u>
Total liabilities.....	41,487,923	41,103,049
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	<u>309,392</u>	<u>-</u>
Net Position:		
Net investment in capital assets.....	42,788,461	44,188,974
Unrestricted.....	<u>15,734,929</u>	<u>15,331,376</u>
Total net position.....	\$ 58,523,390	\$ 59,520,350
Program Revenues:		
Charges for services.....	\$ 12,603,178	\$ 11,823,368
Capital grants and contributions.....	-	20,000
General Revenues:		
Unrestricted investment income.....	<u>34,195</u>	<u>31,733</u>
Total revenues.....	12,637,373	11,875,101
Expenses:		
Water.....	9,103,219	7,746,482
Sewer.....	<u>4,531,114</u>	<u>4,538,357</u>
Total expenses.....	13,634,333	12,284,839
Change in net position.....	(996,960)	(409,738)
Net position - beginning of year.....	59,520,350	59,930,088
Net position - end of year.....	\$ 58,523,390	\$ 59,520,350

Business-type net position of \$42.8 million (73%) represents the investment in capital assets while \$15.7 million (27%) is unrestricted. The Town's business-type net position decreased by \$997,000 in the current year.

The water department net position decreased by \$838,000. This decrease was primarily due to a \$545,000 budgetary basis surplus from water operations and a \$2 million increase in deferred (outflows) inflows of resources related to pensions. These increases were offset by depreciation expense exceeding principal payments on the corresponding long-term debt by \$603,000 and a \$2.3 million increase in net pension liability.

The sewer department net position decreased by \$159,000. This decrease was primarily due to an \$82,000 budgetary basis operating loss resulting from the budgeted use of retained earnings to fund appropriations, and a \$91,000 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 \$38.7 million which is comprised of \$17.4 million in the general fund, \$1.8 million in the school projects fund, and \$19.5 million of nonmajor governmental funds. Cumulatively there was a \$501,000 decrease 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 \$13 million, while total fund balance was \$17.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.6% of total general fund budgetary expenditures, while total fund balance represents 11.6% of that same amount. The general fund experienced a decrease of \$2.7 million, which was primarily due to \$320,000 of positive budgetary operating results, offset by a \$3 million transfer from the Ledge Road landfill stabilization fund to capital projects for the costs associated with the closure of the landfill.

The highway construction fund is used to account for highway construction projects that are reimbursable by the Massachusetts Department of Transportation. In 2016, the Town recorded reimbursable expenditures and capital grant revenue totaling \$804,000.

The school projects fund experienced an increase of \$443,000. This increase is primarily due to timing differences between the Town incurring construction costs and when the projects are permanently financed.

The nonmajor funds experienced an increase of \$1.7 million that was due to the net effect of 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 2016 approved budget authorized approximately \$155.4 million in appropriations and other amounts to be raised. During 2016, Town Meeting also approved supplemental appropriations totaling \$3.7 million. The purpose of the

supplemental appropriations was to fund capital purchases, including \$2.3 million for the Campanelli Drive property, \$400,000 for student learning initiatives, and \$400,000 for energy initiatives.

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, land improvements, infrastructure and vehicles totaling \$8.9 million.
- Business-type activities included additions to construction in progress, machinery and equipment, and vehicles totaling \$1.9 million.

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

Outstanding long-term debt for governmental activities, as of June 30, 2016, totaled \$78.3 million, of which \$52.3 million is related to school projects, \$11.6 million is for municipal services, \$4.7 million is for land acquisition, \$3.7 million is for public safety projects, \$2.0 million is for culture and recreation projects, and the remaining balance of \$4.0 million relates to unamortized bond premiums. The Town did not issue any new governmental bonds in 2016.

The sewer and water enterprise funds have outstanding long-term debt totaling \$17.2 million and \$13.0 million, respectively, at year-end. No new long-term debt was issued in 2016 for the enterprise funds. The debt is fully supported by rates and does not rely on a general fund subsidy.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2016, the Town is scheduled to receive \$7,000 of future interest grants and \$1,135,000 of capital grants. The payment schedule for the Commonwealth is structured to match the debt service expenditures.

The Commonwealth has a second method for funding the school building assistance program. Under this program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2016, the Town has recorded capital grant proceeds totaling \$14.6 million, from the MSBA, which is equal to 44% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$135,000 of grant proceeds in 2017.

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 43,022,471	\$ 15,051,016	\$ 58,073,487
Investments.....	11,545,382	-	11,545,382
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,879,206	-	1,879,206
Tax liens.....	1,679,890	99,638	1,779,528
Motor vehicle and other excise taxes.....	465,289	-	465,289
User fees.....	-	4,940,753	4,940,753
Departmental and other.....	1,209,069	-	1,209,069
Special assessments.....	-	728,730	728,730
Intergovernmental.....	4,425,750	-	4,425,750
Tax foreclosures.....	259,092	-	259,092
Total current assets.....	64,486,149	20,820,137	85,306,286
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	237,390	-	237,390
Special assessments.....	-	6,325,979	6,325,979
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	33,889,084	3,744,019	37,633,103
Depreciable.....	152,692,387	66,918,947	219,611,334
Total noncurrent assets.....	186,818,861	76,988,945	263,807,806
TOTAL ASSETS.....	251,305,010	97,809,082	349,114,092
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding.....	436,599	267,567	704,166
Deferred outflows of resources related to pensions.....	42,901,720	2,244,056	45,145,776
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	43,338,319	2,511,623	45,849,942
LIABILITIES			
CURRENT:			
Warrants payable.....	5,209,353	301,574	5,510,927
Accrued payroll.....	5,834,822	45,225	5,880,047
Health claims payable.....	1,684,000	-	1,684,000
Tax refunds payable.....	1,873,000	-	1,873,000
Accrued interest.....	848,345	246,342	1,094,687
Payroll withholdings.....	526,130	-	526,130
Abandoned property.....	26,065	-	26,065
Customer deposits payable.....	-	9,921	9,921
Landfill closure.....	144,000	-	144,000
Compensated absences.....	1,526,000	96,000	1,622,000
Workers' compensation.....	41,000	-	41,000
Notes payable.....	842,100	1,700,000	2,542,100
Bonds payable.....	7,687,945	3,277,565	10,965,510
Total current liabilities.....	26,242,760	5,676,627	31,919,387
NONCURRENT:			
Landfill closure.....	12,146,000	-	12,146,000
Compensated absences.....	3,504,000	317,000	3,821,000
Workers' compensation.....	364,000	-	364,000
Other postemployment benefits.....	71,746,000	1,224,000	72,970,000
Net pension liability.....	153,443,347	6,354,056	159,797,403
Bonds payable.....	70,658,635	27,916,240	98,574,875
Total noncurrent liabilities.....	311,861,982	35,811,296	347,673,278
TOTAL LIABILITIES.....	338,104,742	41,487,923	379,592,665
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions.....	3,003,076	309,392	3,312,468
NET POSITION			
Net investment in capital assets.....	119,176,309	42,788,461	161,964,770
Restricted for:			
Permanent funds:			
Expendable.....	615,669	-	615,669
Nonexpendable.....	1,280,783	-	1,280,783
Debt service.....	782,526	-	782,526
Grants and gifts.....	5,813,299	-	5,813,299
Unrestricted.....	(174,133,075)	15,734,929	(158,398,146)
TOTAL NET POSITION.....	\$ (46,464,489)	\$ 58,523,390	\$ 12,058,901

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

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.....	\$ 13,441,576	\$ 1,287,823	\$ 483,455	\$ -	\$ (11,670,298)
Public safety.....	28,947,658	6,359,841	159,796	-	(22,428,021)
Education.....	126,990,371	5,084,499	26,598,021	-	(95,307,851)
Municipal services.....	19,300,095	166,321	44,005	1,626,204	(17,463,565)
Community services.....	4,690,932	1,773,685	483,305	227,501	(2,206,441)
Library.....	4,704,562	5,242	150,153	-	(4,549,167)
Interest.....	2,239,673	-	36,936	-	(2,202,737)
Total Governmental Activities.....	<u>200,314,867</u>	<u>14,677,411</u>	<u>27,955,671</u>	<u>1,853,705</u>	<u>(155,828,080)</u>
<i>Business-Type Activities:</i>					
Water.....	9,103,219	8,248,851	-	-	(854,368)
Sewer.....	4,531,114	4,354,327	-	-	(176,787)
Total Business-Type Activities.....	<u>13,634,333</u>	<u>12,603,178</u>	<u>-</u>	<u>-</u>	<u>(1,031,155)</u>
Total Primary Government.....	<u>\$ 213,949,200</u>	<u>\$ 27,280,589</u>	<u>\$ 27,955,671</u>	<u>\$ 1,853,705</u>	<u>\$ (156,859,235)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (155,828,080)	\$ (1,031,155)	\$ (156,859,235)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	126,409,719	-	126,409,719
Tax liens.....	33,265	-	33,265
Motor vehicle excise taxes.....	5,582,946	-	5,582,946
Hotel/motel tax.....	1,747,841	-	1,747,841
Meals tax.....	570,252	-	570,252
Penalties and interest on taxes.....	400,186	-	400,186
Grants and contributions not restricted to specific programs.....	2,286,196	-	2,286,196
Unrestricted investment income.....	264,490	34,195	298,685
Miscellaneous.....	69,271	-	69,271
Total general revenues and transfers.....	137,364,166	34,195	137,398,361
Change in net position.....	(18,463,914)	(996,960)	(19,460,874)
<i>Net Position:</i>			
Beginning of year.....	(28,000,575)	59,520,350	31,519,775
End of year.....	\$ (46,464,489)	\$ 58,523,390	\$ 12,058,901

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 16,992,484	\$ -	\$ 2,259,352	\$ 20,949,988	\$ 40,201,824
Investments.....	8,527,002	-	-	3,018,380	11,545,382
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,879,206	-	-	-	1,879,206
Real estate tax deferrals.....	237,390	-	-	-	237,390
Tax liens.....	1,679,890	-	-	-	1,679,890
Motor vehicle and other excise taxes.....	465,289	-	-	-	465,289
Departmental and other.....	347,031	-	-	205,819	552,850
Intergovernmental.....	1,134,596	3,155,965	135,189	-	4,425,750
Due from other funds.....	64,677	-	-	-	64,677
Tax foreclosures.....	259,092	-	-	-	259,092
TOTAL ASSETS.....	\$ 31,586,657	\$ 3,155,965	\$ 2,394,541	\$ 24,174,187	\$ 61,311,350
LIABILITIES					
Warrants payable.....	\$ 1,247,370	\$ 18,348	\$ 403,489	\$ 3,344,930	\$ 5,014,137
Accrued payroll.....	5,543,775	-	-	291,047	5,834,822
Tax refunds payable.....	1,873,000	-	-	-	1,873,000
Abandoned property.....	26,065	-	-	-	26,065
Due to other funds.....	-	64,677	-	-	64,677
Notes payable.....	-	-	55,500	786,600	842,100
TOTAL LIABILITIES.....	8,690,210	83,025	458,989	4,422,577	13,654,801
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	5,525,097	3,072,940	135,189	202,244	8,935,470
FUND BALANCES					
Nonspendable.....	-	-	-	1,280,783	1,280,783
Restricted.....	782,526	-	1,800,363	18,268,583	20,851,472
Committed.....	2,166,450	-	-	-	2,166,450
Assigned.....	1,470,172	-	-	-	1,470,172
Unassigned.....	12,952,202	-	-	-	12,952,202
TOTAL FUND BALANCES.....	17,371,350	-	1,800,363	19,549,366	38,721,079
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 31,586,657	\$ 3,155,965	\$ 2,394,541	\$ 24,174,187	\$ 61,311,350

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....	\$	38,721,079
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		186,581,471
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		8,935,470
Certain changes in the net pension liability are required to be included in pension expenses over future periods. These changes are reported as deferred outflows/(inflows) of resources related to pensions.....		39,898,644
Internal service funds are used by management to account for unemployment, health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		666,520
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(848,345)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(78,346,580)	
Deferred charges on refunding.....	436,599	
Landfill closure.....	(12,290,000)	
Compensated absences.....	(5,030,000)	
Other postemployment benefits.....	(71,746,000)	
Net pension liability.....	<u>(153,443,347)</u>	
Net effect of reporting long-term liabilities.....		<u>(320,419,328)</u>
Net position of governmental activities.....	\$	<u><u>(46,464,489)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 126,180,460	\$ -	\$ -	\$ -	\$ 126,180,460
Tax liens.....	112,773	-	-	-	112,773
Motor vehicle excise taxes.....	5,700,798	-	-	-	5,700,798
Hotel/motel tax.....	1,747,841	-	-	-	1,747,841
Meals tax.....	570,252	-	-	-	570,252
Charges for services.....	-	-	-	172,129	172,129
Penalties and interest on taxes.....	400,186	-	-	-	400,186
Fees.....	-	-	-	397,116	397,116
Licenses and permits.....	3,090,707	-	-	-	3,090,707
Intergovernmental.....	25,646,105	804,355	35,000	6,010,350	32,495,810
Departmental and other.....	3,251,088	-	-	8,314,475	11,565,563
Contributions.....	-	-	-	320,690	320,690
Investment income.....	190,198	-	-	64,377	254,575
TOTAL REVENUES.....	166,890,408	804,355	35,000	15,279,137	183,008,900
EXPENDITURES:					
Current:					
General government.....	7,096,980	-	-	817,484	7,914,464
Public safety.....	15,553,538	-	-	1,866,957	17,420,495
Education.....	73,748,957	-	-	9,422,019	83,170,976
Municipal services.....	10,071,029	804,355	-	196,499	11,071,883
Community services.....	1,975,777	-	-	1,424,575	3,400,352
Library.....	2,715,688	-	-	148,520	2,864,208
Pension benefits.....	20,014,421	-	-	-	20,014,421
Property and liability insurance.....	733,618	-	-	-	733,618
Employee benefits.....	17,420,680	-	-	-	17,420,680
State and county charges.....	649,170	-	-	-	649,170
Capital outlay.....	-	-	2,268,833	8,515,654	10,784,487
Debt service:					
Principal.....	8,096,050	-	-	-	8,096,050
Interest.....	2,895,359	-	-	-	2,895,359
TOTAL EXPENDITURES.....	160,971,267	804,355	2,268,833	22,391,708	186,436,163
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	5,919,141	-	(2,233,833)	(7,112,571)	(3,427,263)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	1,399,500	1,526,400	2,925,900
Transfers in.....	760,438	-	1,277,393	8,149,556	10,187,387
Transfers out.....	(9,329,916)	-	-	(857,471)	(10,187,387)
TOTAL OTHER FINANCING SOURCES (USES)...	(8,569,478)	-	2,676,893	8,818,485	2,925,900
NET CHANGE IN FUND BALANCES.....	(2,650,337)	-	443,060	1,705,914	(501,363)
FUND BALANCES AT BEGINNING OF YEAR.....	20,021,687	-	1,357,303	17,843,452	39,222,442
FUND BALANCES AT END OF YEAR.....	\$ 17,371,350	\$ -	\$ 1,800,363	\$ 19,549,366	\$ 38,721,079

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, 2016

Net change in fund balances - total governmental funds.....	\$	(501,363)
<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.....	8,930,190	
Depreciation expense.....	<u>(8,087,489)</u>	
Net effect of reporting capital assets.....		842,701
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(2,448,756)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(2,925,900)	
Debt service principal payments.....	8,096,050	
Amortization of premium from issuance of bonds.....	<u>726,847</u>	
Net effect of reporting long-term debt.....		5,896,997
<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.....	(175,000)	
Net change in accrued interest on long-term debt.....	84,857	
Amortization of deferred charges on refunding.....	(156,018)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	39,668,280	
Net change in landfill closure liability.....	(1,350,000)	
Net change in other postemployment benefits.....	(8,833,000)	
Net change in net pension liability.....	<u>(49,851,592)</u>	
Net effect of recording long-term liabilities and amortizing deferred charges on refunding and premiums on bonds.....		(20,612,473)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with governmental activities.....		<u>(1,641,020)</u>
Change in net position of governmental activities.....	\$	<u><u>(18,463,914)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 10,427,979	\$ 4,623,037	\$ 15,051,016	\$ 2,820,647
Receivables, net of allowance for uncollectibles:				
User fees.....	3,179,837	1,760,916	4,940,753	-
Departmental and other.....	-	-	-	656,219
Water and sewer liens.....	57,640	41,998	99,638	-
Special assessments.....	-	728,730	728,730	-
Total current assets.....	<u>13,665,456</u>	<u>7,154,681</u>	<u>20,820,137</u>	<u>3,476,866</u>
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	6,325,979	6,325,979	-
Capital assets, net of accumulated depreciation:				
Nondepreciable.....	3,628,889	115,130	3,744,019	-
Depreciable.....	31,434,753	35,484,194	66,918,947	-
Total noncurrent assets.....	<u>35,063,642</u>	<u>41,925,303</u>	<u>76,988,945</u>	<u>-</u>
TOTAL ASSETS.....	<u>48,729,098</u>	<u>49,079,984</u>	<u>97,809,082</u>	<u>3,476,866</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding.....	60,088	207,479	267,567	-
Deferred outflows of resources related to pensions.....	1,963,859	280,197	2,244,056	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>2,023,947</u>	<u>487,676</u>	<u>2,511,623</u>	<u>-</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	283,557	18,017	301,574	195,216
Accrued payroll.....	39,861	5,364	45,225	-
Health claims payable.....	-	-	-	1,684,000
Accrued interest.....	104,135	142,207	246,342	-
Other Liabilities.....	-	9,921	9,921	-
Payroll withholdings.....	-	-	-	526,130
Compensated absences.....	83,000	13,000	96,000	-
Workers' compensation.....	-	-	-	41,000
Notes payable.....	1,700,000	-	1,700,000	-
Bonds payable.....	1,302,150	1,975,415	3,277,565	-
Total current liabilities.....	<u>3,512,703</u>	<u>2,163,924</u>	<u>5,676,627</u>	<u>2,446,346</u>
NONCURRENT:				
Compensated absences.....	284,000	33,000	317,000	-
Workers' compensation.....	-	-	-	364,000
Other postemployment benefits.....	1,055,000	169,000	1,224,000	-
Net pension liability.....	5,351,896	1,002,160	6,354,056	-
Bonds payable.....	12,261,838	15,654,402	27,916,240	-
Total noncurrent liabilities.....	<u>18,952,734</u>	<u>16,858,562</u>	<u>35,811,296</u>	<u>364,000</u>
TOTAL LIABILITIES.....	<u>22,465,437</u>	<u>19,022,486</u>	<u>41,487,923</u>	<u>2,810,346</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows of resources related to pensions.....	94,829	214,563	309,392	-
NET POSITION				
Net investment in capital assets.....	22,888,959	19,899,502	42,788,461	-
Unrestricted.....	5,303,820	10,431,109	15,734,929	666,520
TOTAL NET POSITION.....	<u>\$ 28,192,779</u>	<u>\$ 30,330,611</u>	<u>\$ 58,523,390</u>	<u>\$ 666,520</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
OPERATING REVENUES:				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 3,578,792
Employer contributions.....	-	-	-	18,347,825
Charges for services.....	8,248,851	4,354,327	12,603,178	-
TOTAL OPERATING REVENUES.....	8,248,851	4,354,327	12,603,178	21,926,617
OPERATING EXPENSES:				
Cost of services and administration.....	5,767,683	2,485,010	8,252,693	-
Depreciation.....	1,803,614	1,175,311	2,978,925	-
Employee benefits.....	1,201,239	172,639	1,373,878	23,534,290
Property and liability insurance.....	-	-	-	36,402
TOTAL OPERATING EXPENSES.....	8,772,536	3,832,960	12,605,496	23,570,692
OPERATING INCOME (LOSS).....	(523,685)	521,367	(2,318)	(1,644,075)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	16,453	17,742	34,195	3,055
Interest expense.....	(330,683)	(698,154)	(1,028,837)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(314,230)	(680,412)	(994,642)	3,055
CHANGE IN NET POSITION.....	(837,915)	(159,045)	(996,960)	(1,641,020)
NET POSITION AT BEGINNING OF YEAR.....	29,030,694	30,489,656	59,520,350	2,307,540
NET POSITION AT END OF YEAR.....	\$ 28,192,779	\$ 30,330,611	\$ 58,523,390	\$ 666,520

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 8,195,012	\$ 4,281,460	\$ 12,476,472	\$ 2,922,573
Receipts from interfund services provided.....	-	-	-	18,347,825
Payments to vendors.....	(3,542,742)	(1,985,962)	(5,528,704)	(36,402)
Payments to employees.....	(2,580,998)	(504,934)	(3,085,932)	-
Payments for interfund services used.....	<u>(750,575)</u>	<u>(145,120)</u>	<u>(895,695)</u>	<u>(21,005,613)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>1,320,697</u>	<u>1,645,444</u>	<u>2,966,141</u>	<u>228,383</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	1,700,000	-	1,700,000	-
Acquisition and construction of capital assets.....	(1,880,192)	(23,462)	(1,903,654)	-
Principal payments on bonds and notes.....	(1,200,263)	(1,913,300)	(3,113,563)	-
Special assessments.....	-	986,171	986,171	-
Interest expense.....	<u>(430,448)</u>	<u>(760,885)</u>	<u>(1,191,333)</u>	<u>-</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(1,810,903)</u>	<u>(1,711,476)</u>	<u>(3,522,379)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	<u>16,453</u>	<u>17,742</u>	<u>34,195</u>	<u>3,055</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(473,753)	(48,290)	(522,043)	231,438
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>10,901,732</u>	<u>4,671,327</u>	<u>15,573,059</u>	<u>2,589,209</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 10,427,979</u>	<u>\$ 4,623,037</u>	<u>\$ 15,051,016</u>	<u>\$ 2,820,647</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (523,685)	\$ 521,367	\$ (2,318)	\$ (1,644,075)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,803,614	1,175,311	2,978,925	-
Deferred (outflows)/inflows related to pensions.....	(1,862,272)	(63,608)	(1,925,880)	-
Changes in assets and liabilities:				
Water and sewer liens.....	(20,930)	(14,907)	(35,837)	-
User fees.....	(32,909)	(58,114)	(91,023)	-
Departmental and other.....	-	-	-	(656,219)
Warrants payable.....	(365,312)	(8,562)	(373,874)	163,547
Accrued payroll.....	(9,745)	(3,324)	(13,069)	-
Payroll withholdings.....	-	-	-	526,130
Other postemployment benefits.....	(40,000)	(1,000)	(41,000)	-
Net pension liability.....	2,312,936	91,127	2,404,063	-
Health claims payable.....	-	-	-	1,684,000
Liabilities due depositors.....	-	154	154	-
Accrued compensated absences.....	59,000	7,000	66,000	-
Workers' compensation.....	-	-	-	155,000
Total adjustments.....	<u>1,844,382</u>	<u>1,124,077</u>	<u>2,968,459</u>	<u>1,872,458</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 1,320,697</u>	<u>\$ 1,645,444</u>	<u>\$ 2,966,141</u>	<u>\$ 228,383</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 1,111,072	\$ -	\$ 130,896	\$ 1,132,721
Investments:				
PRIT funds.....	114,449,117	-	-	-
Mutual funds.....	-	5,434,915	-	-
Government sponsored enterprises.....	-	-	1,408,730	-
Pre-paid expenses.....	1,450	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	98,724	-	-	-
TOTAL ASSETS.....	115,660,363	5,434,915	1,539,626	1,132,721
LIABILITIES				
Warrants payable.....	8,108	-	-	-
Liabilities due depositors.....	-	-	-	1,132,721
TOTAL LIABILITIES.....	8,108	-	-	1,132,721
NET POSITION				
Restricted for pension benefits.....	115,652,255	-	-	-
Held in trust for OPEB benefits.....	-	5,434,915	-	-
Held in trust for other purposes.....	-	-	1,539,626	-
	\$ 115,652,255	5,434,915	\$ 1,539,626	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 8,007,778	\$ 790,000	\$ -
Employee.....	3,601,991	-	-
Total contributions.....	11,609,769	790,000	-
Net investment income (loss):			
Net change in fair value of investments.....	(1,337,786)	(464,928)	8,894
Interest and dividends.....	2,975,359	421,732	1,913
Total investment income (loss).....	1,637,573	(43,196)	10,807
Less: investment expense.....	(582,855)	(25)	-
Net investment income (loss).....	1,054,718	(43,221)	10,807
Intergovernmental.....	74,942	-	-
Transfers from other systems.....	827,777	-	-
TOTAL ADDITIONS.....	13,567,206	746,779	10,807
DEDUCTIONS:			
Administration.....	256,002	-	-
Transfers to other systems.....	565,369	-	-
Retirement benefits and refunds.....	12,279,350	-	-
Educational scholarships.....	-	-	61,012
TOTAL DEDUCTIONS.....	13,100,721	-	61,012
CHANGE IN NET POSITION.....	466,485	746,779	(50,205)
NET POSITION AT BEGINNING OF YEAR.....	115,185,770	4,688,136	1,589,831
NET POSITION AT END OF YEAR.....	\$ 115,652,255	\$ 5,434,915	\$ 1,539,626

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

Joint Venture

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

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

Greater Lawrence 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, 2016, the Town's assessment totaled \$1,619,225. 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, 2016, the Town's assessment totaled \$569,335. Separate financial statements may be obtained by writing to the Treasurer of the GLRTVS at 57 River Road, Andover, MA 01810.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

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

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

Additionally, the following proprietary fund type is reported:

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

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, except for agency funds which have no measurement focus. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes, and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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 are recorded at the estimated fair market value at the date

of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has reported unavailable revenues from property taxes as deferred inflows of resources 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. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

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

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

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

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and

unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

M. 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.

N. 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.

O. 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).

P. 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.

Q. Fund Deficits

The workers compensation fund has a deficit of \$363,112 at year-end. This deficit will be funded by future employer contributions.

R. 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.

S. 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 \$56,166,019 and the bank balance totaled \$59,873,270. Of the bank balance, \$1,751,531 was covered by Federal Depository Insurance and \$58,121,739 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2015, the carrying amount of deposits for the Retirement System totaled \$1,111,072 and the bank balance totaled \$1,240,730. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2016, the Town of Andover had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1 to 5	6 to 10
<u>Debt Securities:</u>				
Government agencies.....	\$ 1,015,860	\$ 1,015,860	\$ -	\$ -
Government sponsored enterprises.....	9,152,523	200,388	8,915,927	36,208
Corporate bonds.....	75,376	40,093	35,283	-
Total debt securities.....	10,243,759	\$ 1,256,341	\$ 8,951,210	\$ 36,208
<u>Other Investments:</u>				
Money market mutual funds.....	723,908			
Equity securities.....	232,997			
Equity mutual funds.....	1,100,356			
Mutual Funds.....	5,434,915			
MMDT.....	2,447,177			
Certificates of deposit.....	1,377,000			
Total investments.....	\$ 21,560,112			

As of December 31, 2015, the Retirement System had \$114,449,117 invested in PRIT.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$1,015,860 in government agencies, \$9,152,523 in government sponsored enterprises, \$75,376 in corporate bonds, \$232,997 in equity securities and \$1,377,000 in certificates of deposit, the Town has a custodial credit risk exposure of \$11,853,756 because the related securities are uninsured, unregistered and held by the counterparty. The Town’s policy requires all securities, not held directly by the Town, to be held in the Town’s name and tax identification number by a third party custodian approved by the Treasurer.

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

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .14 to 24.23 years.

Credit Risk

The Town's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry a AA rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. Of the \$75,376 of corporate bonds, Standard & Poor's Investors Service rated \$15,141 A-, \$40,266 BBB, and \$19,969 BBB-; \$2,447,177 of MMDT shares, and \$723,908 of money market mutual funds were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$114,449,117 of PRIT shares were unrated.

Concentration of Credit Risk

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

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

Fair Market 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, 2016:

Investment Type	June 30, 2016	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>				
Government agencies.....	\$ 1,015,860	\$ 1,015,860	\$ -	\$ -
Government sponsored enterprises.....	9,152,523	9,152,523	-	-
Corporate bonds.....	75,376	-	75,376	-
Total debt securities.....	10,243,759	10,168,383	75,376	-
<u>Other investments:</u>				
Money market mutual funds.....	723,908	723,908	-	-
Equity securities.....	232,997	232,997	-	-
Equity mutual funds.....	1,100,356	1,100,356	-	-
Mutual funds.....	5,434,915	5,434,915	-	-
Certificates of Deposit.....	1,377,000	1,377,000	-	-
Total other investments.....	8,869,176	8,869,176	-	-
Total investments measured at fair value.....	19,112,935	\$ 19,037,559	\$ 75,376	\$ -
Investments measured at amortized cost:				
MMDT.....	2,447,177			
Total Investments.....	\$ 21,560,112			

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

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

Retirement System

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

As of December 31, 2015, the System had \$114,449,117 invested in PRIT. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's

shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2016, 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.....	\$ 1,879,206	\$ -	\$ 1,879,206
Real estate tax deferrals.....	237,390	-	237,390
Tax liens.....	1,679,890	-	1,679,890
Motor vehicle and other excise taxes.....	733,037	(267,748)	465,289
Departmental and other.....	1,251,069	(42,000)	1,209,069
Intergovernmental.....	4,425,750	-	4,425,750
Total.....	<u>\$ 10,206,342</u>	<u>\$ (309,748)</u>	<u>\$ 9,896,594</u>

At June 30, 2016, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 3,179,837	\$ -	\$ 3,179,837
Sewer user fees.....	1,760,916	-	1,760,916
Water liens.....	57,640	-	57,640
Sewer liens.....	41,998	-	41,998
Sewer special assessments.....	7,054,709	-	7,054,709
Total.....	<u>\$ 12,095,100</u>	<u>\$ -</u>	<u>\$ 12,095,100</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>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,401,809	\$ -	\$ 1,401,809
Real estate tax deferrals.....	237,390	-	237,390
Tax liens.....	1,679,890	-	1,679,890
Motor vehicle and other excise.....	465,289	-	465,289
Departmental.....	347,031	202,244	549,275
Intergovernmental.....	1,134,596	3,208,129	4,342,725
Tax foreclosure.....	259,092	-	259,092
Total.....	<u>\$ 5,525,097</u>	<u>\$ 3,410,373</u>	<u>\$ 8,935,470</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 30,631,857	\$ 2,250,000	\$ -	\$ 32,881,857
Construction in progress.....	7,112,728	1,007,227	(7,112,728)	1,007,227
Total capital assets not being depreciated.....	<u>37,744,585</u>	<u>3,257,227</u>	<u>(7,112,728)</u>	<u>33,889,084</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	188,278,439	7,964,629	-	196,243,068
Machinery and equipment.....	14,171,206	1,837,970	(107,566)	15,901,610
Land improvements.....	26,743,789	49,950	-	26,793,739
Infrastructure.....	40,888,910	2,544,062	-	43,432,972
Vehicles.....	6,959,611	389,080	(170,162)	7,178,529
Library books.....	7,138,768	-	-	7,138,768
Total capital assets being depreciated.....	<u>284,180,723</u>	<u>12,785,691</u>	<u>(277,728)</u>	<u>296,688,686</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(82,599,169)	(4,174,903)	-	(86,774,072)
Machinery and equipment.....	(10,099,052)	(929,383)	107,566	(10,920,869)
Land improvements.....	(8,031,875)	(1,242,212)	-	(9,274,087)
Infrastructure.....	(24,882,572)	(968,031)	-	(25,850,603)
Vehicles.....	(4,767,597)	(490,712)	170,162	(5,088,147)
Library books.....	(5,806,273)	(282,248)	-	(6,088,521)
Total accumulated depreciation.....	<u>(136,186,538)</u>	<u>(8,087,489)</u>	<u>277,728</u>	<u>(143,996,299)</u>
Total capital assets being depreciated, net.....	<u>147,994,185</u>	<u>4,698,202</u>	<u>-</u>	<u>152,692,387</u>
Total governmental activities capital assets, net.....	<u>\$ 185,738,770</u>	<u>\$ 7,955,429</u>	<u>\$ (7,112,728)</u>	<u>\$ 186,581,471</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	1,787,541	1,575,331	-	3,362,872
Total capital assets not being depreciated.....	2,053,558	1,575,331	-	3,628,889
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	40,000	-	-	40,000
Machinery and equipment.....	2,900,408	115,167	-	3,015,575
Land improvements.....	883,276	-	-	883,276
Infrastructure.....	82,286,810	-	-	82,286,810
Vehicles.....	287,805	189,694	(80,085)	397,414
Total capital assets being depreciated.....	86,398,299	304,861	(80,085)	86,623,075
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(40,000)	-	-	(40,000)
Machinery and equipment.....	(1,083,418)	(128,777)	-	(1,212,195)
Land improvements.....	(141,612)	(23,395)	-	(165,007)
Infrastructure.....	(51,996,754)	(1,611,250)	-	(53,608,004)
Vehicles.....	(203,009)	(40,192)	80,085	(163,116)
Total accumulated depreciation.....	(53,464,793)	(1,803,614)	80,085	(55,188,322)
Total capital assets being depreciated, net.....	32,933,506	(1,498,753)	-	31,434,753
Total water business-type activities capital assets, net.....	\$ 34,987,064	\$ 76,578	\$ -	\$ 35,063,642

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,321,820	-	-	1,321,820
Machinery and equipment.....	1,168,123	-	-	1,168,123
Infrastructure.....	53,204,459	-	-	53,204,459
Vehicles.....	329,701	23,462	-	353,163
Total capital assets being depreciated.....	56,024,103	23,462	-	56,047,565
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(1,087,514)	(37,839)	-	(1,125,353)
Machinery and equipment.....	(413,574)	(55,367)	-	(468,941)
Infrastructure.....	(17,758,231)	(1,047,806)	-	(18,806,037)
Vehicles.....	(128,741)	(34,299)	-	(163,040)
Total accumulated depreciation.....	(19,388,060)	(1,175,311)	-	(20,563,371)
Total capital assets being depreciated, net.....	36,636,043	(1,151,849)	-	35,484,194
Total sewer business-type activities capital assets, net.....	\$ 36,751,173	\$ (1,151,849)	\$ -	\$ 35,599,324

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

Governmental Activities:

General government.....	\$ 428,713
Public safety.....	806,015
Education.....	4,839,320
Municipal services.....	1,463,627
Community services.....	221,425
Library.....	<u>328,389</u>

Total depreciation expense - governmental activities..... \$ 8,087,489

Business-Type Activities:

Water.....	\$ 1,803,614
Sewer.....	<u>1,175,311</u>

Total depreciation expense - business-type activities..... \$ 2,978,925

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2016, the Town had an interfund receivable/payable of \$64,677 between the general fund and the highway construction fund to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	School Projects	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 1,277,393	\$ 8,052,523	\$ 9,329,916 (1)
Nonmajor Governmental Funds.....	<u>760,438</u>	<u>-</u>	<u>97,033</u>	<u>857,471 (2)</u>
Total.....	<u>\$ 760,438</u>	<u>\$ 1,277,393</u>	<u>\$ 8,149,556</u>	<u>\$ 10,187,387</u>

(1) Budgeted transfers to capital project funds for current year capital articles.

(2) Budgeted transfers to the General fund from other available funds, as well as transfers between nonmajor funds.

NOTE 6 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2016, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
Governmental Funds							
BAN	Bond anticipation note.....	0.65	06/17/16	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -
BAN	Bond anticipation note.....	1.50	12/16/16	-	3,768,000	-	3,768,000
Total governmental.....				1,000,000	3,768,000	1,000,000	3,768,000
General obligation bonds issued December 15, 2016.....							(2,925,900)
Total.....							842,100
Enterprise Funds							
<i>Water Enterprise Fund</i>							
BAN	Bond anticipation note.....	1.50	12/16/16	-	1,700,000	-	1,700,000
Total short-term debt.....				\$ 1,000,000	\$ 5,468,000	\$ 1,000,000	\$ 2,542,100

On December 16, 2016, \$850,000 of short-term debt was paid down with available funds and \$1,692,100 was renewed at an interest rate of 1.10% and a maturity date of June 15, 2007.

Additionally, on December 15, 2016, the Town issued \$6,425,000 of long-term bonds payable of which \$2,925,900 was used to permanently finance bond anticipation notes that matured on December 16, 2016. In accordance with GAAP, the short-term debt has been reclassified and presented as long-term debt.

NOTE 7 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2016, 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, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Public safety.....	2029	\$ 26,859,300	2.00 - 5.00	\$ 4,572,300	\$ -	\$ 826,800	\$ 3,745,500 (1)
School projects.....	2034	112,394,304	2.00 - 5.72	56,350,700	1,399,500	5,462,400	52,287,800 (1)
Municipal services.....	2034	38,453,000	2.75 - 5.13	11,281,000	1,526,400	1,215,000	11,592,400 (2)
Land acquisition.....	2034	9,662,100	3.50 - 5.98	5,152,100	-	441,849	4,710,251 (1)
Culture and recreation.....	2034	9,143,000	2.75 - 5.00	2,180,000	-	150,000	2,030,000 (1)
Total governmental bonds payable.....				79,536,100	2,925,900	8,096,049	74,365,951
Add: unamortized premium.....				4,707,476	-	726,847	3,980,629
Total governmental bonds payable, net.....				<u>\$ 84,243,576</u>	<u>\$ 2,925,900</u>	<u>\$ 8,822,896</u>	<u>\$ 78,346,580</u>

(1) Debt issued to finance Town capital expenditures.

(2) Debt issued to finance Town capital expenditures with the exception of \$2.4 million for landfill closure.

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

Year	Principal	Interest	Total
2017.....	\$ 7,097,656	\$ 2,679,426	\$ 9,777,082
2018.....	6,441,045	2,433,482	8,874,527
2019.....	6,261,657	2,176,771	8,438,428
2020.....	5,927,283	1,947,278	7,874,561
2021.....	5,612,920	1,722,765	7,335,685
2022.....	5,178,573	1,507,651	6,686,224
2023.....	4,699,239	1,305,786	6,005,025
2024.....	4,279,919	1,127,370	5,407,289
2025.....	4,205,864	956,658	5,162,522
2026.....	4,041,324	789,118	4,830,442
2027.....	3,752,049	661,697	4,413,746
2028.....	3,290,200	541,487	3,831,687
2029.....	2,935,957	436,829	3,372,786
2030.....	2,631,730	345,727	2,977,457
2031.....	2,377,520	262,752	2,640,272
2032.....	2,213,327	188,999	2,402,326
2033.....	2,014,151	121,726	2,135,877
2034.....	1,249,992	52,144	1,302,136
2035.....	155,545	3,582	159,127
Totals.....	<u>\$ 74,365,951</u>	<u>\$ 19,261,246</u>	<u>\$ 93,627,197</u>

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Sewer projects.....	2033	\$ 60,565,550	2.75 - 5.00	\$ 19,158,850	\$ -	\$ 1,913,300	\$ 17,245,550 (1)
Water projects.....	2034	25,360,802	2.00 - 5.61	14,159,048	-	1,200,263	12,958,785 (1)
Total enterprise bonds payable.....				33,317,898	-	3,113,563	30,204,335
Add: unamortized premium.....				1,207,650	-	218,180	989,470
Total enterprise bonds payable, net.....				\$ 34,525,548	\$ -	\$ 3,331,743	\$ 31,193,805

(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
2017.....	\$ 3,079,956	\$ 1,017,586	\$ 4,097,542
2018.....	3,060,004	915,224	3,975,228
2019.....	3,055,358	802,758	3,858,116
2020.....	3,090,819	686,108	3,776,927
2021.....	3,081,391	578,770	3,660,161
2022.....	3,002,076	473,036	3,475,112
2023.....	2,517,876	376,379	2,894,255
2024.....	2,283,792	297,903	2,581,695
2025.....	1,759,579	227,106	1,986,685
2026.....	1,430,987	166,449	1,597,436
2027.....	1,437,268	116,088	1,553,356
2028.....	822,238	75,161	897,399
2029.....	427,991	52,660	480,651
2030.....	270,000	38,460	308,460
2031.....	270,000	29,960	299,960
2032.....	245,000	21,406	266,406
2033.....	225,000	13,796	238,796
2034.....	145,000	5,800	150,800
Totals.....	\$ 30,204,335	\$ 5,894,651	\$ 36,098,986

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During 2016, \$1,551,000 of such assistance was received; \$1,142,000 will be received in future years. Of this amount, \$7,000 represents reimbursement of long-term interest costs, and \$1,135,000 represents reimbursement of approved construction costs. Accordingly, a \$1,135,000 intergovernmental receivable and corresponding deferred inflow of resources - unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Beginning in 2005 the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the Town. Through the end of 2016, the Town has recorded capital grant proceeds totaling \$14.6 million, from the MSBA, which is equal to 44% of approved construction costs submitted for reimbursement. The Town anticipates receiving an additional \$135,000 of grant proceeds in 2017.

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, 2016, 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.....	3,384,000
Public Safety.....	575,000
School projects.....	3,926,303
Town building remodeling.....	1,900,000
Sewer projects.....	2,550,000
Water projects.....	4,750,000
Total.....	\$ 25,480,303

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance (As Revised)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term bonds payable.....	\$ 79,536,100	\$ 2,925,900	\$ (8,096,049)	\$ 74,365,951	\$ 7,097,656
Add: unamortized premium.....	4,707,476	-	(726,847)	3,980,629	590,289
Total bonds payable.....	84,243,576	2,925,900	(8,822,896)	78,346,580	7,687,945
Other postemployment benefits.....	62,913,000	14,430,000	(5,597,000)	71,746,000	-
Workers' compensation.....	250,000	212,000	(57,000)	405,000	41,000
Compensated absences.....	4,855,000	1,701,000	(1,526,000)	5,030,000	1,526,000
Landfill closure.....	10,940,000	1,703,000	(353,000)	12,290,000	144,000
Net pension liability.....	103,591,755	65,183,158	(15,331,566)	153,443,347	-
Total governmental activity					
long-term liabilities, as revised.....	<u>\$ 266,793,331</u>	<u>\$ 86,155,058</u>	<u>\$ (31,687,462)</u>	<u>\$ 321,260,927</u>	<u>\$ 9,398,945</u>
Business-Type Activities:					
Long-term bonds payable.....	\$ 33,317,898	-	\$ (3,113,563)	\$ 30,204,335	\$ 3,079,956
Add: unamortized premium.....	1,207,650	-	(218,180)	989,470	197,609
Total bonds payable.....	34,525,548	-	(3,331,743)	31,193,805	3,277,565
Other postemployment benefits.....	1,265,000	385,000	(426,000)	1,224,000	-
Compensated absences.....	347,000	162,000	(96,000)	413,000	96,000
Net pension liability.....	3,949,993	3,038,940	(634,877)	6,354,056	-
Total business-type activity					
long-term liabilities, as revised.....	<u>\$ 40,087,541</u>	<u>\$ 3,585,940</u>	<u>\$ (4,488,620)</u>	<u>\$ 39,184,861</u>	<u>\$ 3,373,565</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above and include accrued liabilities totaling \$405,000 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 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

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 \$6,211,910 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 \$702,524, and \$1,463,726, respectively. These stabilization funds have been reported as components of committed fund balance.

As of June 30, 2016, the governmental fund balances consisted of the following:

	<u>General</u>	<u>School Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable:				
Cemetery.....	\$ -	\$ -	\$ 889,154	\$ 889,154
Library.....	-	-	350,826	350,826
Town welfare/other.....	-	-	40,803	40,803
Restricted for:				
School projects.....	-	1,800,363	-	1,800,363
Town grants/other revolving.....	-	-	3,698,090	3,698,090
School grants/other revolving.....	-	-	2,893,329	2,893,329
School lunch.....	-	-	407,969	407,969
Road/drainage projects.....	-	-	1,756,294	1,756,294
Ledge road landfill.....	-	-	3,042,940	3,042,940
Conservation.....	-	-	33,560	33,560
Youth Center.....	-	-	2,978	2,978
Municipal buildings.....	-	-	1,269,385	1,269,385
Other.....	-	-	4,548,369	4,548,369
Cemetery.....	-	-	266,686	266,686
Library.....	-	-	150,973	150,973
Town welfare/other.....	-	-	198,010	198,010
Debt service.....	782,526	-	-	782,526
Committed to:				
General government.....	200	-	-	200
Elder services stabilization.....	702,524	-	-	702,524
Debt service stabilization.....	1,463,726	-	-	1,463,726
Assigned to:				
General government.....	258,494	-	-	258,494
Public safety.....	157,252	-	-	157,252
Education.....	463,742	-	-	463,742
Municipal services.....	518,342	-	-	518,342
Community services.....	42,485	-	-	42,485
Library.....	13,133	-	-	13,133
Pension benefits.....	16,724	-	-	16,724
Unassigned.....	12,952,202	-	-	12,952,202
TOTAL FUND BALANCES.....	\$ 17,371,350	\$ 1,800,363	\$ 19,549,366	\$ 38,721,079

NOTE 9 – RISK FINANCING

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

Health Insurance

During 2016, the Town changed from premium based health insurance coverage to a self-insured health insurance plan. Health insurance claims are administered by a third party administrator and are funded on an as needed basis from the Town's internal service fund. The estimated "Incurred But Not Reported (IBNR)" claims are based on actual and historical lag claims. The Town purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$150,000 per claim. The amount of claim

settlements has not exceeded the insurance coverage in the current year. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

The liability at June 30, 2016 totaled \$1,684,000. Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2016.....	\$ -	\$ 24,857,000	\$ (23,173,000)	\$ 1,684,000

Workers' Compensation

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

At June 30, 2016, the amount of the liability for workers' compensation claims totaled \$405,000. Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2015.....	\$ 298,000	\$ 12,000	\$ (60,000)	\$ 250,000	\$ 25,000
2016.....	250,000	212,000	(57,000)	405,000	41,000

NOTE 10 – 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, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$12,401,089 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 \$152,894,310 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There are no reported changes in pension benefits as of December 31, 2015.

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, 2015, the ACRS membership consists of the following:

Active members.....	728
Inactive members.....	98
Disabled members.....	20
Retirees and beneficiaries currently receiving benefits.....	<u>432</u>
Total.....	<u>1,278</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, 2015 was \$8,007,778, or 21.67% 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 \$7,929,291 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2016 were as follows:

Total pension liability.....	\$ 276,691,736
The pension plan's fiduciary net position.....	<u>115,652,255</u>
The net pension liability.....	\$ <u>161,039,481</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	41.80%

At June 30, 2016, the Town reported a liability of \$159,797,403 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2015, the Town's proportion was 99.23%, a decrease of 0.01% from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$18,590,786. At June 30, 2016, the Town reported deferred outflows of resources related to pensions of \$45,145,776, from the net difference between projected and actual investment earnings on pension plan investments, as well as changes in assumptions and changes in proportion. The Town also reported deferred inflows of resources related to pensions of \$3,312,468 from changes in proportion and differences between projected and actual experience. Changes of assumptions included a decrease in the discount rate from 7.75% to 6.25%, changes in mortality assumptions and an increase in the administrative expense assumption from \$250,000 to \$300,000.

The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Changes in proportionate share of contributions.....	\$ 467,505	\$ (481,054)	\$ (13,549)
Changes in assumptions.....	38,222,452	-	38,222,452
Difference between projected and actual earnings.....	6,455,819	-	6,455,819
Difference between expected and actual experience.....	-	<u>(2,831,414)</u>	<u>(2,831,414)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>45,145,776</u>	\$ <u>(3,312,468)</u>	\$ <u>41,833,308</u>

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

Year ended June 30:	<u>Deferred Outflows/(Inflows)</u>
2017.....	\$ 8,704,398
2018.....	8,704,398
2019.....	8,704,396
2020.....	8,644,620
2021.....	<u>7,075,496</u>
 Total.....	 \$ <u><u>41,833,308</u></u>

Actuarial Assumptions - The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date..... January 1, 2016
- Actuarial cost method..... Entry Age Normal Cost Method.
- Amortization method..... Appropriation increasing 8.0% per year through fiscal 2032, plus an additional \$1,000,000 in fiscal 2016.
- Remaining amortization period..... 16 years from July 1, 2016.
- Asset valuation method..... The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted, if necessary to be within 15% of the market value.
- 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..... 3.0% of the first \$12,000 of retirement income.
- Rates of retirement..... Varies based upon age for general employees, police and fire employees.
- Rates of disability..... Varies based upon age for general employees, police and fire employees.
- Mortality Rates:
 - Pre-Retirement..... The RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D.
 - Healthy Retiree..... The RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D.
 - Disabled Retiree..... The RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D.
- Investment rate of return/Discount rate..... 6.25%, net of pension plan investment expense, including inflation.

Investment policy

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

The long-term expected rate of return on pension plan investments was determined 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	18.00%	5.99%
International developed markets equity...	16.00%	6.66%
International emerging markets equity....	6.00%	8.98%
Core fixed income.....	13.00%	1.16%
High yield fixed income.....	10.00%	4.25%
Private equity.....	10.00%	10.57%
Real estate.....	10.00%	3.86%
Commodities.....	4.00%	3.62%
Hedge fund.....	9.00%	3.09%
Portfolio completion strategies.....	4.00%	N/A
	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.87%. 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, a decrease of 1.5% from the 7.75% discount rate used for the previous measurement period ending December 31, 2014. 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:

	<u>1% Decrease (5.25%)</u>	<u>Current Discount (6.25%)</u>	<u>1% Increase (7.25%)</u>
The Town's proportionate share of the net pension liability.....	\$ <u>194,340,276</u>	\$ <u>159,797,403</u>	\$ <u>130,831,207</u>
ACRS total net pension liability.....	\$ <u>195,850,850</u>	\$ <u>161,039,481</u>	\$ <u>131,848,136</u>

NOTE 11 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$12,290,000 as the estimate of the landfill closure liability at June 30, 2016, in the government-wide financial statements governmental activities.

This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2016, the Town contributed an additional \$790,000 to pre-fund future OPEB obligations.

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

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

Annual required contribution.....	\$ 14,427,000
Interest on net OPEB obligation.....	2,728,000
Adjustment to annual required contribution.....	<u>(2,340,000)</u>
Annual OPEB cost (expense).....	14,815,000
Contributions made.....	<u>(6,023,000)</u>
Increase in net OPEB obligation.....	8,792,000
Net OPEB obligation-beginning of year.....	<u>64,178,000</u>
Net OPEB obligation-end of year.....	<u>\$ 72,970,000</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 14,815,000	\$ 41%	\$ 72,970,000
6/30/2015	13,368,000	60%	64,178,000
6/30/2014	12,716,000	55%	58,894,000

Funded Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits totaled \$188.7 million. The Town has funded \$4.7 million, which resulted in a funded ratio of 2.5% and an unfunded actuarial accrued liability for benefits totaling \$184 million. The Town funded an additional \$790,000 in 2016 and the net position of the OPEB trust fund totaled \$5.4 million as of June 30, 2016.

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

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

In the June 30, 2015 actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 6.0% investment return assumption, which is based on the expected yield on the assets of the Town which are recorded at fair value, calculated based on the funded level of

the plan at the valuation date, an inflation rate of 3.75%, and an annual Medicare cost trend rate of 9.0% initially, graded to 5.0% over eight years. The UAAL is being amortized over a 30-year period, using the level percentage of projected payroll method, on an open basis, with amortization payments increasing at 3.75% per year. The remaining amortization period at June 30, 2016 is 30 years.

NOTE 13 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2016, 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2017, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget	Actual Amounts		
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 126,820,580	\$ 126,820,580	\$ 126,291,943	\$ -	\$ (528,637)
Tax liens.....	-	-	112,773	-	112,773
Motor vehicle excise taxes.....	4,845,000	4,845,000	5,700,798	-	855,798
Hotel/motel tax.....	1,545,300	1,545,300	1,747,841	-	202,541
Meals tax.....	510,000	510,000	570,252	-	60,252
Penalties and interest on taxes.....	400,000	400,000	400,186	-	186
Licenses and permits.....	1,980,000	1,980,000	3,090,707	-	1,110,707
Intergovernmental.....	12,724,402	12,724,402	13,245,016	-	520,614
Departmental and other.....	3,217,750	3,217,750	3,251,088	-	33,338
Investment income.....	50,000	50,000	73,709	-	23,709
TOTAL REVENUES.....	152,093,032	152,093,032	154,484,313	-	2,391,281
EXPENDITURES:					
Current:					
General government:					
Personal services.....	6,671,687	5,871,987	5,697,063	174,699	225
Other expenses.....	2,335,181	2,209,981	1,809,667	83,995	316,319
TOTAL.....	9,006,868	8,081,968	7,506,730	258,694	316,544
Public safety:					
Personal services.....	14,014,669	14,190,669	14,089,528	48,682	52,459
Other expenses.....	1,711,474	2,077,340	1,464,010	108,570	504,760
TOTAL.....	15,726,143	16,268,009	15,553,538	157,252	557,219
Education:					
Technical schools.....	510,000	569,335	569,335	-	-
Personal services.....	59,210,775	59,399,924	59,508,117	-	(108,193)
Other expenses.....	14,432,588	14,243,440	13,671,505	463,742	108,193
TOTAL.....	74,153,363	74,212,699	73,748,957	463,742	-
Municipal services:					
Personal services.....	5,164,649	5,314,249	5,308,631	-	5,618
Other expenses.....	6,073,094	6,014,093	5,172,148	518,342	323,603
TOTAL.....	11,237,743	11,328,342	10,480,779	518,342	329,221
Community services:					
Personal services.....	1,378,547	1,491,747	1,449,614	33,561	8,572
Other expenses.....	557,637	559,538	526,163	8,924	24,451
TOTAL.....	1,936,184	2,051,285	1,975,777	42,485	33,023

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
Library:					
Personal services.....	2,011,983	2,081,983	2,067,103	12,088	2,792
Other expenses.....	676,901	676,901	648,585	1,045	27,271
TOTAL.....	2,688,884	2,758,884	2,715,688	13,133	30,063
Pension benefits.....	7,946,015	7,946,015	7,929,291	16,724	-
Property and liability insurance.....	732,553	734,553	733,618	-	935
Employee benefits.....	17,710,416	17,710,416	17,710,416	-	-
State and county charges.....	517,183	517,183	649,170	-	(131,987)
Debt service:					
Principal.....	8,096,050	8,096,050	8,096,050	-	-
Interest.....	3,042,188	3,042,188	2,895,359	-	146,829
TOTAL.....	11,138,238	11,138,238	10,991,409	-	146,829
TOTAL EXPENDITURES.....	152,793,590	152,747,592	149,995,373	1,470,372	1,281,847
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(700,558)	(654,560)	4,488,940	(1,470,372)	3,673,128
OTHER FINANCING SOURCES (USES):					
Transfers in.....	2,185,633	2,185,633	2,185,633	-	-
Transfers out.....	(2,561,360)	(6,354,360)	(6,354,360)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	(375,727)	(4,168,727)	(4,168,727)	-	-
NET CHANGE IN FUND BALANCE.....	(1,076,285)	(4,823,287)	320,213	(1,470,372)	3,673,128
BUDGETARY FUND BALANCE, Beginning of year.....	10,068,579	10,068,579	10,068,579	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 8,992,294	\$ 5,245,292	\$ 10,388,792	\$ (1,470,372)	\$ 3,673,128

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
Total pension liability:		
Service cost.....	\$ 4,830,379	\$ 5,031,130
Interest.....	16,502,651	17,252,209
Changes in benefit terms.....	-	-
Differences between expected and actual experience.....	-	(3,424,106)
Changes in assumptions.....	-	46,223,459
Benefit payments, including refunds of employee contributions.....	<u>(11,786,173)</u>	<u>(11,937,955)</u>
Net change in total pension liability.....	9,546,857	53,144,737
Total pension liability, beginning.....	<u>214,000,142</u>	<u>223,546,999</u>
Total pension liability, ending (a)	<u>\$ 223,546,999</u>	<u>\$ 276,691,736</u>
Plan fiduciary net position:		
Contributions - employer.....	\$ 6,281,397	\$ 8,007,778
Contributions - employee.....	3,511,255	3,659,016
Net investment income (loss).....	8,085,611	999,647
Benefit payments, including refunds of employee contributions.....	(11,786,173)	(11,937,955)
Administrative expenses.....	<u>(240,330)</u>	<u>(262,001)</u>
Net increase (decrease) in fiduciary net position.....	5,851,760	466,485
Fiduciary net position at beginning of year.....	<u>109,334,010</u>	<u>115,185,770</u>
Fiduciary net position at end of year (b)	<u>\$ 115,185,770</u>	<u>\$ 115,652,255</u>
Net pension liability - ending (a) - (b)	<u>\$ 108,361,229</u>	<u>\$ 161,039,481</u>
Plan fiduciary net position as a percentage of the total pension liability.....	51.53%	41.80%
Covered-employee payroll.....	\$ 36,488,870	\$ 36,946,467
Net pension liability as a percentage of covered-employee payroll.....	296.97%	435.87%

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

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 6,281,397	\$ 8,007,778
Contributions in relation to the actuarially determined contribution.....	<u>6,281,397</u>	<u>8,007,778</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 36,488,870	\$ 36,946,467
Contributions as a percentage of covered- employee payroll.....	17.21%	21.67%

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 RETURN
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Annual money-weighted rate of return, net of investment expense.....	7.57%	0.87%

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.

The annual money-weighted rate of return has been calculated by
the Pension Reserves Investment Management Board (PRIM).

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**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	99.24%	99.23%
Town's proportionate share of the net pension liability (asset)... \$	107,541,748	\$ 159,797,403
Town's covered employee payroll..... \$	36,036,778	\$ 36,575,628
Net pension liability as a percentage of covered-employee payroll.....	298.42%	436.90%
Plan fiduciary net position as a percentage of the total pension liability.....	51.53%	41.80%

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 TOWN'S CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 6,207,276	\$ 7,929,291
Contributions in relation to the actuarially determined contribution.....	<u>6,207,276</u>	<u>7,929,291</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 36,036,778	\$ 36,575,628
Contributions as a percentage of covered- employee payroll.....	17.22%	21.68%

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. 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 a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

Fiscal Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
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 Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2015	\$ 4,688,136	\$ 188,717,986	\$ 184,029,850	2.5%	\$ N/A	N/A
6/30/2013	1,101,668	145,915,338	144,813,670	0.8%	87,599,000	165.3%
6/30/2011	704,000	215,258,000	214,554,000	0.3%	87,023,000	246.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 14,427,000	\$ 6,023,000	42%
2015	12,609,000	8,084,000	64%
2014	12,030,000	7,010,000	58%
2013	11,423,000	5,493,000	48%
2012	16,523,000	6,075,000	37%
2011	15,439,000	5,879,000	38%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2015
Actuarial cost method.....	Projected unit credit
Amortization method.....	Payments increasing at 3.75%
Remaining amortization period.....	30 years open
Asset valuation method.....	Market value

Actuarial Assumptions:

Asset rate of return.....	6.00%
Discount rate.....	4.25% partially funded
Inflation rate.....	3.75%
Non-Medicare cost trend rate.....	8.00% decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year.
Medicare cost trend rate.....	9.00% decreasing by 0.5% for 8 years to an ultimate level of 5.0% per year.
Part B premium trend rate.....	5.00%

Plan Membership:

Current retirees, beneficiaries, and dependents....	1,000
Current active members.....	<u>952</u>
Total.....	<u><u>1,952</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

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

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

The majority of appropriations are non-continuing which lapse at the end of each 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 2016 approved budget authorized approximately \$155.4 million in appropriations and other amounts to be raised. During 2016, Town Meeting also approved supplemental appropriations totaling \$3.7 million. The purpose of the supplemental appropriations was to fund capital purchases, including \$2.3 million for the Campanelli Drive property, \$400,000 for student learning initiatives, and \$400,000 for energy initiatives.

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, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$	320,213
<u>Perspective difference:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		(2,859,067)
<u>Basis of accounting differences:</u>		
Net change in recording 60-day receipts.....		111,517
Net change in recording tax refunds payable.....		(223,000)
Recognition of revenue for on-behalf payments.....		12,401,089
Recognition of expenditures for on-behalf payments.....		<u>(12,401,089)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>(2,650,337)</u></u>

3. Appropriation Deficits

During 2016, actual expenditures exceeded budgeted appropriations for state and county charges. State and county charges are assessments from the Commonwealth which are directly deducted from local receipts provided by the state. The over-expenditure in state and county charges relates to school choice and charter school sending tuition. 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 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 in Assumptions

- The investment return assumption was lowered from 7.75% to 6.25%.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally from 2010 using Scale AA to the RP-2000 Healthy Annuitant Mortality Tables projected generationally from 2009 using Scale BB2D.
- The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected generationally from 2010 using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D.
- The administrative expense assumption was increased from \$250,000 for calendar year 2014 to \$300,000 for calendar year 2016.

E. Changes in Plan Provisions

- None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 2.5%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Combining 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.

Campanelli Land Purchase – This fund is used to account for resources associated with the purchase of the Campanelli property.

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.

Youth Center – This fund is used to account for the construction of a new Cormier Youth Center. The project is being funded by the issuance of long-term bonds, private donations and other fund raising activities.

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

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

Permanent Funds

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

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Sub-total
ASSETS				
Cash and cash equivalents.....	\$ 927,594	\$ 3,127,011	\$ 413,901	\$ 4,468,506
Investments.....	3,018,380	-	-	3,018,380
Receivables, net of uncollectibles:				
Departmental and other.....	205,819	-	-	205,819
TOTAL ASSETS.....	\$ 4,151,793	\$ 3,127,011	\$ 413,901	\$ 7,692,705
LIABILITIES				
Warrants payable.....	\$ 91,376	\$ 104,133	\$ 5,932	\$ 201,441
Accrued payroll.....	160,083	129,549	-	289,632
Notes payable.....	-	-	-	-
TOTAL LIABILITIES.....	251,459	233,682	5,932	491,073
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues.....	202,244	-	-	202,244
FUND BALANCES				
Nonspendable.....	-	-	-	-
Restricted.....	3,698,090	2,893,329	407,969	6,999,388
TOTAL FUND BALANCES.....	3,698,090	2,893,329	407,969	6,999,388
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES....	\$ 4,151,793	\$ 3,127,011	\$ 413,901	\$ 7,692,705

Capital Project Funds

Road/ Drainage Projects	Campanelli Land Purchase	Ledge Road Landfill	Conservation	Youth Center	Municipal Buildings	Other	Sub-total
\$ 2,263,730	\$ 2,250,000	\$ 3,042,940	\$ 33,560	\$ 2,978	\$ 2,570,343	\$ 4,420,743	\$ 14,584,294
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,263,730</u>	<u>\$ 2,250,000</u>	<u>\$ 3,042,940</u>	<u>\$ 33,560</u>	<u>\$ 2,978</u>	<u>\$ 2,570,343</u>	<u>\$ 4,420,743</u>	<u>\$ 14,584,294</u>
\$ 94,436	\$ 2,250,000	\$ -	\$ -	\$ -	\$ 958	\$ 797,359	\$ 3,142,753
-	-	-	-	-	-	1,415	1,415
413,000	-	-	-	-	1,300,000	(926,400)	786,600
507,436	2,250,000	-	-	-	1,300,958	(127,626)	3,930,768
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,756,294	-	3,042,940	33,560	2,978	1,269,385	4,548,369	10,653,526
1,756,294	-	3,042,940	33,560	2,978	1,269,385	4,548,369	10,653,526
<u>\$ 2,263,730</u>	<u>\$ 2,250,000</u>	<u>\$ 3,042,940</u>	<u>\$ 33,560</u>	<u>\$ 2,978</u>	<u>\$ 2,570,343</u>	<u>\$ 4,420,743</u>	<u>\$ 14,584,294</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<u>Permanent Funds</u>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
ASSETS					
Cash and cash equivalents.....	\$ 1,155,840	\$ 502,535	\$ 238,813	\$ 1,897,188	\$ 20,949,988
Investments.....	-	-	-	-	3,018,380
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	205,819
TOTAL ASSETS.....	<u>\$ 1,155,840</u>	<u>\$ 502,535</u>	<u>\$ 238,813</u>	<u>\$ 1,897,188</u>	<u>\$ 24,174,187</u>
LIABILITIES					
Warrants payable.....	-	736	-	736	3,344,930
Accrued payroll.....	-	-	-	-	291,047
Notes payable.....	-	-	-	-	786,600
TOTAL LIABILITIES.....	-	736	-	736	4,422,577
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	-	-	-	-	202,244
FUND BALANCES					
Nonspendable.....	889,154	350,826	40,803	1,280,783	1,280,783
Restricted.....	266,686	150,973	198,010	615,669	18,268,583
TOTAL FUND BALANCES.....	<u>1,155,840</u>	<u>501,799</u>	<u>238,813</u>	<u>1,896,452</u>	<u>19,549,366</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	<u>\$ 1,155,840</u>	<u>\$ 502,535</u>	<u>\$ 238,813</u>	<u>\$ 1,897,188</u>	<u>\$ 24,174,187</u>

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

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Sub-total
REVENUES:				
Charges for services.....	\$ 172,129	\$ -	\$ -	\$ 172,129
Fees.....	397,116	-	-	397,116
Intergovernmental.....	826,691	4,612,538	371,121	5,810,350
Departmental and other.....	3,636,431	2,658,915	2,019,125	8,314,471
Contributions.....	167,919	2,100	-	170,019
Investment income.....	43,595	-	-	43,595
TOTAL REVENUES.....	5,243,881	7,273,553	2,390,246	14,907,680
EXPENDITURES:				
Current:				
General government.....	817,484	-	-	817,484
Public safety.....	1,866,957	-	-	1,866,957
Education.....	-	7,097,665	2,324,354	9,422,019
Municipal services.....	194,969	-	-	194,969
Community services.....	1,423,975	-	-	1,423,975
Library.....	141,470	-	-	141,470
Capital outlay.....	860,024	-	-	860,024
TOTAL EXPENDITURES.....	5,304,879	7,097,665	2,324,354	14,726,898
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(60,998)	175,888	65,892	180,782
OTHER FINANCING SOURCES (USES):				
Issuance of bonds and notes.....	-	-	-	-
Transfers in.....	-	-	-	-
Transfers out.....	(851,471)	-	-	(851,471)
TOTAL OTHER FINANCING SOURCES (USES)...	(851,471)	-	-	(851,471)
NET CHANGE IN FUND BALANCES.....	(912,469)	175,888	65,892	(670,689)
FUND BALANCES AT BEGINNING OF YEAR.....	4,610,559	2,717,441	342,077	7,670,077
FUND BALANCES AT END OF YEAR.....	\$ 3,698,090	\$ 2,893,329	\$ 407,969	\$ 6,999,388

Capital Project Funds

Road/ Drainage Projects	Campanelli Land Purchase	Ledge Road Landfill	Conservation	Youth Center	Municipal Buildings	Other	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
200,000	-	-	-	-	-	-	200,000
-	-	-	-	-	-	-	-
-	-	-	-	114,767	-	-	114,767
-	-	-	-	2,524	-	-	2,524
<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,291</u>	<u>-</u>	<u>-</u>	<u>317,291</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
863,744	2,250,000	616	4,722	-	693,368	3,843,180	7,655,630
<u>863,744</u>	<u>2,250,000</u>	<u>616</u>	<u>4,722</u>	<u>-</u>	<u>693,368</u>	<u>3,843,180</u>	<u>7,655,630</u>
<u>(663,744)</u>	<u>(2,250,000)</u>	<u>(616)</u>	<u>(4,722)</u>	<u>117,291</u>	<u>(693,368)</u>	<u>(3,843,180)</u>	<u>(7,338,339)</u>
-	-	-	-	-	-	1,526,400	1,526,400
406,000	2,250,000	3,043,556	-	-	-	2,450,000	8,149,556
-	-	-	-	-	-	-	-
<u>406,000</u>	<u>2,250,000</u>	<u>3,043,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,976,400</u>	<u>9,675,956</u>
(257,744)	-	3,042,940	(4,722)	117,291	(693,368)	133,220	2,337,617
<u>2,014,038</u>	<u>-</u>	<u>-</u>	<u>38,282</u>	<u>(114,313)</u>	<u>1,962,753</u>	<u>4,415,149</u>	<u>8,315,909</u>
<u>\$ 1,756,294</u>	<u>\$ -</u>	<u>\$ 3,042,940</u>	<u>\$ 33,560</u>	<u>\$ 2,978</u>	<u>\$ 1,269,385</u>	<u>\$ 4,548,369</u>	<u>\$ 10,653,526</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2016

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 172,129
Fees and rentals.....	-	-	-	-	397,116
Intergovernmental.....	-	-	-	-	6,010,350
Departmental and other.....	-	-	4	4	8,314,475
Contributions.....	35,904	-	-	35,904	320,690
Investment income.....	7,112	7,894	3,252	18,258	64,377
TOTAL REVENUES.....	43,016	7,894	3,256	54,166	15,279,137
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	817,484
Public safety.....	-	-	-	-	1,866,957
Education.....	-	-	-	-	9,422,019
Public works.....	1,530	-	-	1,530	196,499
Human services.....	-	-	600	600	1,424,575
Library.....	-	7,050	-	7,050	148,520
Capital outlay.....	-	-	-	-	8,515,654
TOTAL EXPENDITURES.....	1,530	7,050	600	9,180	22,391,708
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	41,486	844	2,656	44,986	(7,112,571)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds and notes.....	-	-	-	-	1,526,400
Transfers in.....	-	-	-	-	8,149,556
Transfers out.....	(6,000)	-	-	(6,000)	(857,471)
TOTAL OTHER FINANCING SOURCES (USES)...	(6,000)	-	-	(6,000)	8,818,485
NET CHANGE IN FUND BALANCES.....	35,486	844	2,656	38,986	1,705,914
FUND BALANCES AT BEGINNING OF YEAR.....	1,120,354	500,955	236,157	1,857,466	17,843,452
FUND BALANCES AT END OF YEAR.....	\$ 1,155,840	\$ 501,799	\$ 238,813	\$ 1,896,452	\$ 19,549,366

(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, 2016

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 140,769	\$ 275,495	\$ 2,362,495	\$ 41,888	\$ 2,820,647
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	656,219	-	656,219
Total current assets.....	<u>140,769</u>	<u>275,495</u>	<u>3,018,714</u>	<u>41,888</u>	<u>3,476,866</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	-	-	195,216	-	195,216
Health claims payable.....	-	-	1,684,000	-	1,684,000
Payroll withholdings.....	-	-	526,130	-	526,130
Workers' compensation.....	-	-	-	41,000	41,000
Total current liabilities.....	<u>-</u>	<u>-</u>	<u>2,405,346</u>	<u>41,000</u>	<u>2,446,346</u>
NONCURRENT:					
Workers' compensation.....	-	-	-	364,000	364,000
TOTAL LIABILITIES.....	<u>-</u>	<u>-</u>	<u>2,405,346</u>	<u>405,000</u>	<u>2,810,346</u>
NET POSITION					
Unrestricted.....	<u>\$ 140,769</u>	<u>\$ 275,495</u>	<u>\$ 613,368</u>	<u>\$ (363,112)</u>	<u>\$ 666,520</u>

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

YEAR ENDED JUNE 30, 2016

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ 3,578,792	\$ -	\$ 3,578,792
Employer contributions	-	158,000	18,185,827	3,998	18,347,825
TOTAL OPERATING REVENUES	-	158,000	21,764,619	3,998	21,926,617
OPERATING EXPENSES:					
Employee benefits	-	148,686	23,173,367	212,237	23,534,290
Insurance.....	36,402	-	-	-	36,402
TOTAL OPERATING EXPENSES	36,402	148,686	23,173,367	212,237	23,570,692
OPERATING INCOME (LOSS).....	(36,402)	9,314	(1,408,748)	(208,239)	(1,644,075)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	674	759	1,622	-	3,055
CHANGE IN NET POSITION.....	(35,728)	10,073	(1,407,126)	(208,239)	(1,641,020)
NET POSITION AT BEGINNING OF YEAR.....	176,497	265,422	2,020,494	(154,873)	2,307,540
NET POSITION AT END OF YEAR.....	\$ 140,769	\$ 275,495	\$ 613,368	\$ (363,112)	\$ 666,520

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers and users.....	\$ -	\$ -	\$ 2,922,573	\$ -	\$ 2,922,573
Receipts from interfund services provided.....	-	158,000	18,185,827	3,998	18,347,825
Payments to vendors.....	(36,402)	-	-	-	(36,402)
Payments for interfund services used.....	(500)	(148,686)	(20,799,190)	(57,237)	(21,005,613)
NET CASH FROM OPERATING ACTIVITIES.....	(36,902)	9,314	309,210	(53,239)	228,383
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Investment income.....	674	759	1,622	-	3,055
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(36,228)	10,073	310,832	(53,239)	231,438
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	176,997	265,422	2,051,663	95,127	2,589,209
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 140,769	\$ 275,495	\$ 2,362,495	\$ 41,888	\$ 2,820,647
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>					
Operating income (loss).....	\$ (36,402)	\$ 9,314	\$ (1,408,748)	\$ (208,239)	\$ (1,644,075)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	-	-	(656,219)	-	(656,219)
Warrants payable.....	(500)	-	164,047	-	163,547
Health claims payable.....	-	-	1,684,000	-	1,684,000
Payroll withholdings.....	-	-	526,130	-	526,130
Workers' compensation.....	-	-	-	155,000	155,000
Total adjustments.....	(500)	-	1,717,958	155,000	1,872,458
NET CASH FROM OPERATING ACTIVITIES.....	\$ (36,902)	\$ 9,314	\$ 309,210	\$ (53,239)	\$ 228,383

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, 2016

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ <u>1,236,512</u>	\$ <u>1,293,815</u>	\$ <u>(1,397,606)</u>	\$ <u>1,132,721</u>
LIABILITIES				
Liabilities due depositors.....	\$ <u>1,236,512</u>	\$ <u>1,293,815</u>	\$ <u>(1,397,606)</u>	\$ <u>1,132,721</u>

Statistical Section



By the Shawsheen River

Photo by: Joan Roman



Harold Parker State Park

Photo by: Joan Roman

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets.....	\$ 91,189,027	\$ 91,685,536	\$ 89,103,313	\$ 93,007,654	\$ 93,315,362	\$ 97,503,961	\$ 104,403,021	\$ 113,445,872	\$ 113,175,340	\$ 119,176,309
Restricted.....	4,610,472	5,039,470	3,395,370	3,796,181	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277
Unrestricted.....	10,474,688	666,172	(11,182,850)	(25,064,804)	(33,596,579)	(42,544,729)	(46,622,291)	(49,559,677)	(151,227,241)	(174,133,075)
Total governmental activities net position.....	\$ 106,274,187	\$ 97,391,178	\$ 81,315,833	\$ 71,739,031	\$ 63,695,076	\$ 61,154,070	\$ 67,031,136	\$ 74,110,239	\$ (28,000,575)	\$ (46,464,489)
Business-type activities										
Net investment in capital assets.....	45,396,161	46,338,405	47,347,751	47,583,170	47,534,459	46,353,252	45,822,689	45,559,159	44,188,974	42,788,461
Unrestricted.....	14,824,192	13,060,062	20,682,749	18,915,881	18,241,146	18,385,626	18,388,810	18,186,228	15,331,376	15,734,929
Total business-type activities net position.....	\$ 60,220,353	\$ 59,398,467	\$ 68,030,500	\$ 66,499,051	\$ 65,775,605	\$ 64,738,878	\$ 64,211,499	\$ 63,745,387	\$ 59,520,350	\$ 58,523,390
Primary government										
Net investment in capital assets.....	136,585,188	138,023,941	136,451,064	140,590,824	140,849,821	143,857,213	150,225,710	159,005,031	157,364,314	161,964,770
Restricted.....	4,610,472	5,039,470	3,395,370	3,796,181	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277
Unrestricted.....	25,298,880	13,726,234	9,499,899	(6,148,923)	(15,355,433)	(24,159,103)	(28,233,481)	(31,373,449)	(135,895,865)	(158,398,146)
Total primary government net position.....	\$ 166,494,540	\$ 156,789,645	\$ 149,346,333	\$ 138,238,082	\$ 129,470,681	\$ 125,892,948	\$ 131,242,635	\$ 137,855,626	\$ 31,519,775	\$ 12,058,901

**2015 reflects the implementation of GASB 68

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government.....	\$ 6,378,826	\$ 6,396,171	\$ 6,736,844	\$ 7,853,717	\$ 7,243,947	\$ 9,005,184	\$ 9,461,933	\$ 10,133,951	\$ 11,356,864	\$ 13,441,576
Plant and facilities.....	6,312,238	5,369,831	5,647,761	5,610,304	5,868,634	6,301,667	** -	-	-	-
Public safety.....	17,485,313	21,252,517	21,273,659	20,464,627	21,289,440	20,862,977	21,202,823	21,795,686	25,090,468	28,947,658
Education.....	84,803,244	89,422,593	109,043,813	109,285,301	109,674,533	110,230,609	111,204,625	115,158,937	112,779,199	126,990,371
Public works.....	8,486,551	15,598,570	7,281,462	7,086,407	7,488,126	6,086,731	** -	-	-	-
Municipal services.....	-	-	-	-	-	-	** 13,942,874	14,218,102	13,146,807	19,300,095
Community services.....	3,082,209	3,196,831	3,401,157	3,410,882	3,473,959	3,547,165	3,484,284	3,574,827	3,857,449	4,690,932
Library.....	3,718,802	3,946,369	4,202,915	4,158,325	3,981,093	3,308,590	3,270,652	3,388,768	3,948,793	4,704,562
Interest.....	3,079,688	2,610,346	2,157,682	1,692,345	1,733,882	1,813,401	2,180,097	2,102,376	2,675,387	2,239,673
Total government activities expenses.....	133,346,871	147,793,228	159,745,293	159,561,908	160,753,614	161,156,324	164,747,288	170,372,647	172,854,967	200,314,867
Business-type activities:										
Water.....	7,395,387	7,398,936	7,971,843	5,423,483	7,389,781	7,641,864	7,466,053	8,131,905	7,746,482	9,103,219
Sewer.....	4,300,048	4,546,676	4,829,544	4,662,645	4,919,891	4,614,480	4,599,787	4,221,701	4,538,357	4,531,114
Total business-type activities expenses.....	11,695,435	11,945,612	12,801,387	10,086,128	12,309,672	12,256,344	12,065,840	12,353,606	12,284,839	13,634,333
Total primary government expenses.....	\$ 145,042,306	\$ 159,738,840	\$ 172,546,680	\$ 169,648,036	\$ 173,063,286	\$ 173,412,668	\$ 176,813,128	\$ 182,726,253	\$ 185,139,806	\$ 213,949,200
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 3,880,398	\$ 4,326,730	\$ 3,790,779	\$ 3,755,724	\$ 3,649,023	\$ 4,179,923	\$ 5,376,825	\$ 4,879,683	\$ 5,855,804	\$ 6,359,841
Education charges for services.....	3,556,254	3,891,867	3,869,698	4,159,428	4,447,671	4,406,316	4,533,644	4,594,367	4,880,144	5,084,499
Other charges for services.....	2,757,509	3,275,730	2,992,813	3,458,043	2,980,246	3,263,775	3,017,848	3,197,405	3,152,353	3,233,071
Education operating grants and contributions.....	18,485,493	20,831,731	23,010,714	24,013,602	24,783,904	25,611,406	26,139,620	26,031,266	21,636,186	26,598,021
Other operating grants and contributions.....	2,386,728	2,042,371	2,822,588	2,024,443	1,759,998	1,607,599	1,191,156	1,438,710	1,648,198	1,357,650
General government capital grant and contributions.....	12,105	-	-	-	259,600	-	-	-	-	-
Municipal services capital grant and contributions.....	2,579,033	776,474	1,033,675	1,062,707	1,378,068	-	1,553,595	1,774,179	977,093	1,626,204
Education capital grant and contributions.....	-	-	-	-	-	-	7,690,079	7,013,590	-	-
Other capital grant and contributions.....	-	-	10,992	-	-	2,310,588	458,700	1,984,863	712,064	227,501
Total government activities program revenues.....	33,657,520	35,144,903	37,531,259	38,473,947	39,258,510	41,379,607	49,961,467	50,914,063	38,861,842	44,486,787
Business-type activities:										
Water charges for services.....	6,026,114	6,624,742	6,557,656	6,107,981	7,539,658	6,974,207	7,244,362	7,405,049	7,723,468	8,248,851
Sewer charges for services.....	3,900,287	4,274,584	4,048,056	4,090,182	3,995,288	4,236,585	4,241,515	4,457,073	4,099,900	4,354,327
Other capital grant and contributions.....	1,838,804	158,190	10,798,240	229,534	41,759	-	42,339	-	20,000	-
Total business-type activities program revenues.....	11,765,205	11,057,516	21,403,952	10,427,697	11,576,705	11,210,792	11,528,216	11,862,122	11,843,368	12,603,178
Total primary government program revenues.....	\$ 45,422,725	\$ 46,202,419	\$ 58,935,211	\$ 48,901,644	\$ 50,835,215	\$ 52,590,399	\$ 61,489,683	\$ 62,776,185	\$ 50,705,210	\$ 57,089,965
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (99,689,351)	\$ (112,648,325)	\$ (122,214,034)	\$ (121,087,961)	\$ (121,495,104)	\$ (119,776,717)	\$ (114,785,821)	\$ (119,458,584)	\$ (133,993,125)	\$ (155,828,080)
Business-type activities.....	69,770	(888,096)	8,602,565	341,569	(732,967)	(1,045,552)	(537,624)	(491,484)	(441,471)	(1,031,155)
Total primary government net (expense)/program revenue.....	\$ (99,619,581)	\$ (113,536,421)	\$ (113,611,469)	\$ (120,746,392)	\$ (122,228,071)	\$ (120,822,269)	\$ (115,323,445)	\$ (119,950,068)	\$ (134,434,596)	\$ (156,859,235)

(continued)

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 89,517,870	\$ 93,240,977	\$ 96,597,993	\$ 100,368,252	\$ 103,594,344	\$ 107,658,022	\$ 110,652,457	\$ 116,416,632	\$ 120,794,299	\$ 126,409,719
Tax liens.....	160,701	188,869	316,513	416,598	352,839	231,426	420,138	127,902	761,023	33,265
Motor vehicle excise taxes.....	4,665,464	4,704,891	4,407,674	4,510,747	4,722,659	4,530,897	4,903,920	4,970,746	5,124,285	5,582,946
Hotel/motel tax	1,040,438	897,765	860,090	962,298	1,288,661	1,353,137	1,526,835	1,496,945	1,722,509	1,747,841
Meals tax.....	-	-	-	136,239	478,403	517,177	547,235	506,658	545,489	570,252
Penalties and interest on taxes.....	314,296	410,491	303,184	286,866	409,888	416,902	298,550	554,802	461,456	400,186
Grants and contributions not restricted to specific programs.....	2,558,873	2,558,964	2,502,913	2,083,892	2,070,906	2,005,649	2,099,507	2,193,507	2,229,911	2,286,196
Unrestricted investment income.....	1,603,144	1,434,652	1,005,941	550,684	315,873	273,240	74,364	164,538	230,715	264,490
Miscellaneous.....	344,265	328,707	144,381	-	217,576	249,261	139,881	105,957	71,919	69,271
Total governmental activities.....	100,205,051	103,765,316	106,138,689	109,315,576	113,451,149	117,235,711	120,662,887	126,537,687	131,941,606	137,364,166
Business-type activities:										
Unrestricted investment income.....	161,991	66,210	29,468	14,785	9,521	8,825	10,245	25,372	31,733	34,195
Total primary government general revenues and other changes in net position.....	\$ 100,367,042	\$ 103,831,526	\$ 106,168,157	\$ 109,330,361	\$ 113,460,670	\$ 117,244,536	\$ 120,673,132	\$ 126,563,059	\$ 131,973,339	\$ 137,398,361
Changes in Net Position										
Governmental activities.....	\$ 515,700	\$ (8,883,009)	\$ (16,075,345)	\$ (11,772,385)	\$ (8,043,955)	\$ (2,541,006)	\$ 5,877,066	\$ 7,079,103	\$ (2,051,519)	\$ (18,463,914)
Business-type activities.....	231,761	(821,886)	8,632,033	356,354	(723,446)	(1,036,727)	(527,379)	(466,112)	(409,738)	(996,960)
Total primary government changes in net position.....	\$ 747,461	\$ (9,704,895)	\$ (7,443,312)	\$ (11,416,031)	\$ (8,767,401)	\$ (3,577,733)	\$ 5,349,687	\$ 6,612,991	\$ (2,461,257)	\$ (19,460,874)

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

(concluded)

Fund Balances, Governmental Funds

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved.....	\$ 2,694,727	\$ 1,370,990	\$ 491,022	\$ 1,208,156	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	4,549,236	3,691,825	3,015,527	3,250,042	-	-	-	-	-	-
Restricted.....	-	-	-	-	-	-	1,092,228	978,024	877,138	782,526
Committed.....	-	-	-	-	13,999	13,999	100,734	2,354,757	5,132,811	2,166,450
Assigned.....	-	-	-	-	817,053	2,197,122	1,181,371	1,049,914	1,176,478	1,470,172
Unassigned.....	-	-	-	-	<u>8,106,788</u>	<u>10,772,493</u>	<u>12,715,770</u>	<u>14,603,525</u>	<u>12,835,260</u>	<u>12,952,202</u>
Total general fund.....	\$ <u>7,243,963</u>	\$ <u>5,062,815</u>	\$ <u>3,506,549</u>	\$ <u>4,458,198</u>	\$ <u>8,937,840</u>	\$ <u>12,983,614</u>	\$ <u>15,090,103</u>	\$ <u>18,986,220</u>	\$ <u>20,021,687</u>	\$ <u>17,371,350</u>
All Other Governmental Funds										
Reserved.....	\$ 1,261,498	\$ 1,267,370	\$ 1,265,156	\$ 1,274,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	9,068,114	9,627,901	9,586,198	10,747,094	-	-	-	-	-	-
Capital projects funds.....	1,933,994	1,323,779	(996,668)	226,609	-	-	-	-	-	-
Permanent funds.....	434,628	440,998	423,353	497,686	-	-	-	-	-	-
Nonspendable.....	-	-	-	-	1,259,811	1,274,750	1,278,486	1,261,738	1,268,347	1,280,783
Restricted.....	-	-	-	-	8,296,921	13,319,927	19,275,015	22,692,841	18,046,721	20,068,946
Unassigned.....	-	-	-	-	-	<u>(2,174,741)</u>	-	-	<u>(114,313)</u>	-
Total all other governmental funds.....	\$ <u>12,698,234</u>	\$ <u>12,660,048</u>	\$ <u>10,278,039</u>	\$ <u>12,745,596</u>	\$ <u>9,556,732</u>	\$ <u>12,419,936</u>	\$ <u>20,553,501</u>	\$ <u>23,954,579</u>	\$ <u>19,200,755</u>	\$ <u>21,349,729</u>

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 89,296,522	\$ 93,215,670	\$ 96,792,126	\$ 100,472,493	\$ 103,357,190	\$ 107,820,244	\$ 110,384,336	\$ 116,681,066	\$ 121,034,570	\$ 126,180,460
Motor vehicle and other excise taxes.....	4,563,040	5,719,957	5,379,998	5,435,155	5,877,675	5,824,833	4,745,068	5,082,290	5,165,789	5,700,798
Intergovernmental.....	25,535,077	27,409,880	29,885,449	29,755,486	30,178,437	33,649,963	36,439,032	37,628,417	30,126,642	32,495,810
Departmental and other.....	12,333,309	12,437,475	11,448,429	12,460,238	13,073,732	14,524,170	16,343,246	18,403,347	18,312,668	18,377,257
Interest income.....	1,660,138	1,501,807	1,048,718	660,607	350,374	306,101	52,399	202,101	211,262	254,575
Total Revenue.....	133,388,086	140,284,789	144,554,720	148,783,979	152,837,408	162,125,311	167,964,081	177,997,221	174,850,931	183,008,900
Expenditures:										
General government.....	4,544,021	4,818,360	4,886,763	5,620,278	4,926,017	6,564,652	7,103,931	7,323,954	7,344,861	7,914,464
Plant and facilities.....	4,431,588	4,417,766	4,417,257	4,323,782	4,558,237	5,029,583	**	-	-	-
Public safety.....	13,571,517	16,457,065	16,121,617	15,013,636	15,740,379	15,373,742	15,961,083	16,120,879	17,467,921	17,420,495
Education.....	62,124,609	65,822,095	69,204,520	69,878,266	72,239,103	71,201,775	75,342,685	78,345,911	80,699,104	83,170,976
Public works.....	5,905,848	6,433,432	6,768,354	6,202,273	6,326,863	6,197,537	**	-	-	-
Municipal services.....	-	-	-	-	-	-	**	11,005,407	10,986,859	13,161,484
Community services.....	2,525,592	2,659,098	2,714,309	2,726,573	2,767,944	2,874,439	2,972,973	2,893,483	3,042,960	3,400,352
Library.....	2,674,266	2,697,413	2,729,703	2,659,866	2,656,682	2,547,398	2,532,582	2,558,449	2,626,027	2,864,208
Pension benefits.....	12,518,995	13,516,288	14,650,593	15,577,594	15,928,980	17,217,084	18,298,372	18,696,325	14,130,520	20,014,421
Property and liability insurance.....	762,947	657,483	562,014	485,701	734,996	827,013	717,613	777,873	775,186	733,618
Employee benefits.....	10,092,986	11,108,705	11,627,211	13,438,023	14,834,385	14,808,947	13,908,127	15,274,878	17,370,998	17,420,680
Claims and judgments.....	-	-	264,966	-	-	-	-	-	-	-
State and county charges.....	2,514,120	2,852,501	2,871,728	3,072,718	2,860,658	2,433,163	2,468,820	2,817,601	756,777	649,170
Capital outlay.....	5,210,089	7,856,215	7,547,507	5,717,723	7,213,849	7,729,883	22,004,956	32,305,218	15,698,468	10,784,487
Debt service:										
Principal.....	5,833,841	6,035,287	6,306,423	6,465,718	5,865,696	6,194,000	5,813,900	6,744,500	7,753,500	8,096,050
Interest.....	2,920,044	2,472,415	2,015,030	1,435,531	1,642,841	1,847,422	1,871,364	2,296,280	2,999,136	2,895,359
Total Expenditures.....	135,630,063	147,804,123	152,687,995	152,617,682	158,296,630	160,846,638	180,001,813	197,142,210	183,826,942	186,436,163
Excess of revenues over (under) expenditures.....	(2,241,977)	(7,519,334)	(8,133,275)	(3,833,703)	(5,459,222)	1,278,673	(12,037,732)	(19,144,989)	(8,976,011)	(3,427,263)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	3,243,000	5,300,000	4,195,000	5,566,000	6,750,000	5,366,000	20,555,000	24,242,000	4,990,000	2,925,900
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	-
Premium from issuance of refunding bonds.....	-	-	-	892,842	-	446,698	599,483	-	-	-
Payments to refunded bond escrow agent.....	-	-	-	(8,951,608)	-	(4,986,695)	(3,957,244)	-	-	-
Transfers in.....	4,619,334	3,737,672	2,969,084	3,737,067	1,983,683	1,602,664	3,360,800	4,858,735	4,335,344	10,187,387
Transfers out.....	(4,619,334)	(3,737,672)	(2,969,084)	(1,927,392)	(1,983,683)	(1,602,664)	(3,360,800)	(4,858,735)	(4,335,344)	(10,187,387)
Total other financing sources (uses).....	3,243,000	5,300,000	4,195,000	7,252,909	6,750,000	5,630,305	22,277,786	26,442,184	5,257,654	2,925,900
Net change in fund balance.....	\$ 1,001,023	\$ (2,219,334)	\$ (3,938,275)	\$ 3,419,206	\$ 1,290,778	\$ 6,908,978	\$ 10,240,054	\$ 7,297,195	\$ (3,718,357)	\$ (501,363)
Debt service as a percentage of noncapital expenditures.....	6.63%	6.08%	5.76%	5.39%	4.99%	5.34%	4.89%	5.49%	6.36%	6.19%

Notes:

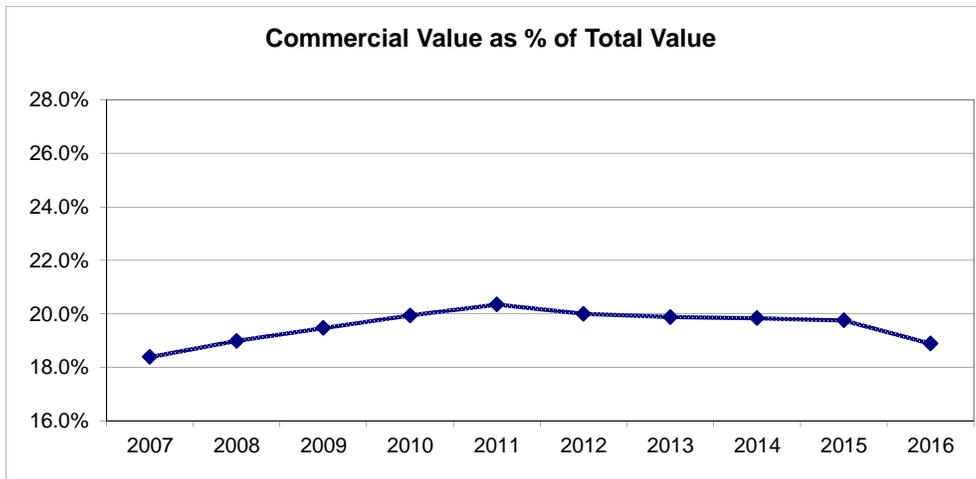
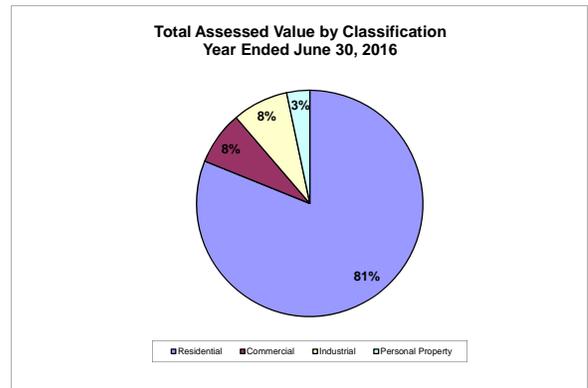
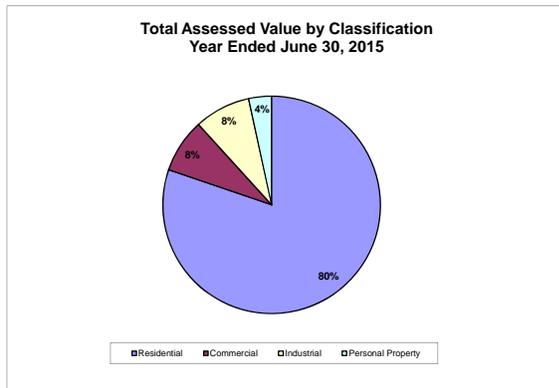
(a) - The FY06 % has been adjusted to eliminate the effect of a state school construction capital grant totaling \$3.8 million, respectively to pay down debt.

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

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
2007	\$ 5,868,699,641	\$ 11.25	\$ 582,821,925	\$ 640,188,000	\$ 99,325,718	\$ 1,322,335,643	\$ 18.33	\$ 12.55	\$ 7,191,035,284
2008	\$ 5,815,988,951	\$ 11.69	\$ 585,151,793	\$ 642,310,600	\$ 136,301,731	\$ 1,363,764,124	\$ 19.13	\$ 13.10	\$ 7,179,753,075
2009 (1)	\$ 5,765,913,581	\$ 12.16	\$ 583,679,742	\$ 649,552,900	\$ 161,324,140	\$ 1,394,556,782	\$ 19.98	\$ 13.68	\$ 7,160,470,363
2010	\$ 5,473,846,761	\$ 13.19	\$ 566,418,366	\$ 624,853,500	\$ 172,538,617	\$ 1,363,810,483	\$ 21.33	\$ 14.81	\$ 6,837,657,244
2011	\$ 5,269,717,961	\$ 14.12	\$ 552,946,894	\$ 592,561,900	\$ 201,324,807	\$ 1,346,833,601	\$ 22.46	\$ 15.82	\$ 6,616,551,562
2012 (1)	\$ 5,438,632,321	\$ 14.15	\$ 547,695,778	\$ 578,692,200	\$ 233,484,947	\$ 1,359,872,925	\$ 23.54	\$ 16.03	\$ 6,798,505,246
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



(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

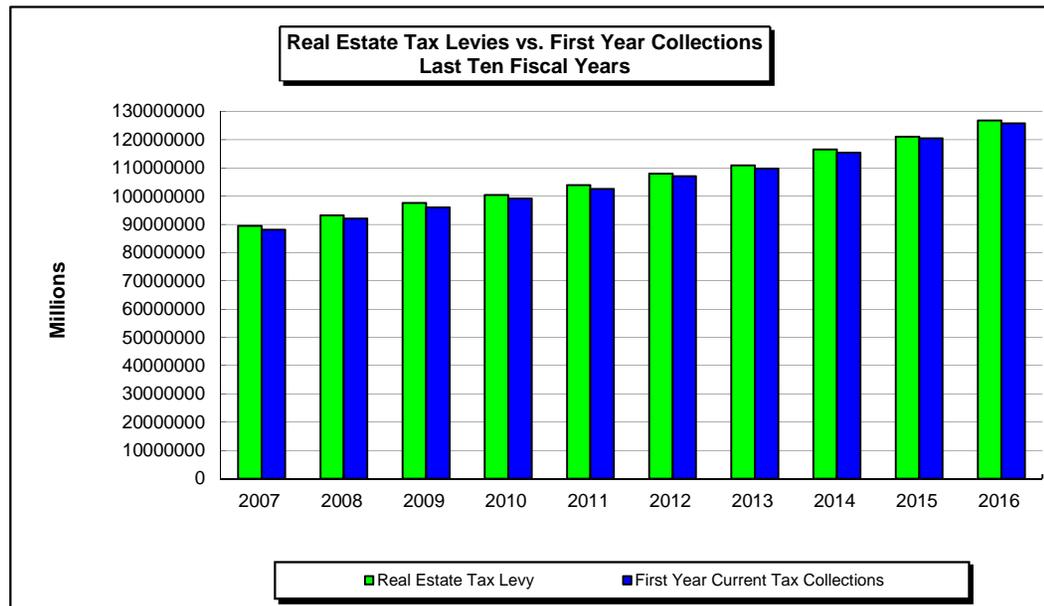
Name	Property Type	2016			2007		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Pfizer	Industrial	\$ 82,326,100	1	1.68%	\$ -	-	-
New Brickstone Office LLC	Commercial	\$ 66,745,200	2	1.36%	\$ -	-	-
Raytheon Co. & Endrock Associates	Industrial/Residential	\$ 61,038,050	3	1.24%	\$ 33,864,000	10	0.47%
Eisai Research Institute	Commercial/Industrial	\$ 55,261,230	4	1.12%	\$ 40,957,000	6	0.57%
Philips Electro No Amer Corp. (Agilent)	Industrial	\$ 51,301,180	5	1.04%	\$ 58,163,700	4	0.81%
Navisite, Inc	Commercial/Industrial	\$ 46,070,920	6	0.94%	\$ -	-	-
One Hundred Minuteman LLC	Industrial	\$ 40,290,600	7	0.82%	\$ 39,197,600	7	0.55%
RREF America REIT III Corp. ZI	Commercial/Industrial	\$ 37,321,100	8	0.76%	\$ 52,284,900	5	0.73%
Proctor + Gamble (Gillette)	Industrial	\$ 36,730,200	9	0.75%	\$ 34,993,200	9	0.49%
Mass Electric Co.	Industrial/Utility	\$ 36,575,420	10	0.74%	\$ -	-	-
Wyeth (Genetics Institute)	Industrial	\$ -	-	-	\$ 93,282,800	1	1.30%
Transwestern Brickstone Square LLC (Andover Mills)	Office	\$ -	-	-	\$ 73,048,400	2	1.02%
CA Investment Trust	Industrial	\$ -	-	-	\$ 65,162,600	3	0.91%
Lincoln Park LLC (Putnam Investments)	Commercial	\$ -	-	-	\$ 36,316,500	8	0.51%
Totals		<u>\$513,660,000</u>		<u>10.45%</u>	<u>\$527,270,700</u>		<u>7.36%</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	Percent of Total Tax Collections to Net Tax Levy
2007	\$ 90,261,283	\$ 710,626	\$ 89,550,657	\$ 88,153,719	98.44%	\$ 1,396,938	\$ 89,550,657	100.00%
2008	\$ 94,077,719	\$ 832,176	\$ 93,245,543	\$ 92,107,899	98.78%	\$ 1,017,386	\$ 93,125,285	99.87%
2009	(1) \$ 97,976,754	\$ 309,456	\$ 97,667,298	\$ 96,086,383	98.38%	\$ 1,580,915	\$ 97,667,298	100.00%
2010	\$ 101,290,116	\$ 822,806	\$ 100,467,310	\$ 99,241,767	98.78%	\$ 579,880	\$ 99,821,647	99.36%
2011	\$ 104,658,300	\$ 772,521	\$ 103,885,779	\$ 102,625,682	98.79%	\$ 1,025,236	\$ 103,650,918	99.77%
2012	(1) \$ 108,874,156	\$ 857,191	\$ 108,016,965	\$ 107,067,732	99.12%	\$ 949,233	\$ 108,016,965	100.00%
2013	\$ 111,893,513	\$ 985,564	\$ 110,907,949	\$ 109,842,289	99.04%	\$ 944,361	\$ 110,786,650	99.89%
2014	\$ 117,506,432	\$ 981,734	\$ 116,524,698	\$ 115,439,167	99.07%	\$ 848,486	\$ 116,287,653	99.80%
2015	(1) \$ 122,233,763	\$ 1,159,706	\$ 121,074,057	\$ 120,524,220	99.55%	\$ 402,945	\$ 120,927,165	99.88%
2016	\$ 127,696,871	\$ 876,291	\$ 126,820,580	\$ 125,835,396	99.22%	\$ -	\$ 125,835,396	99.22%



(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
2007	33,284	\$ 1,572,631,974	\$ 7,191,035,284	\$ 54,512,123	\$ -	\$ 1,638	3.47%	0.76%
2008	33,418	\$ 1,610,542,591	\$ 7,179,753,075	\$ 53,776,836	\$ -	\$ 1,609	3.34%	0.75%
2009	33,700	\$ 1,656,615,926	\$ 7,160,470,363	\$ 51,665,413	\$ -	\$ 1,533	3.12%	0.72%
2010	33,700	\$ 1,689,748,245	\$ 6,837,657,244	\$ 50,341,695	\$ -	\$ 1,494	2.98%	0.74%
2011	33,201	\$ 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%

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
2007	\$ 34,974,512	\$ -	\$ 89,486,635	\$ 2,689	5.69%	1.24%
2008	\$ 41,495,469	\$ -	\$ 95,272,305	\$ 2,851	5.92%	1.33%
2009	\$ 40,949,009	\$ -	\$ 92,614,422	\$ 2,748	5.59%	1.29%
2010	\$ 37,567,707	\$ -	\$ 87,909,402	\$ 2,609	5.20%	1.29%
2011	\$ 35,602,018	\$ -	\$ 86,828,017	\$ 2,615	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%

(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, 2016

<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.....	\$ 17,750,000	0.6%	\$ 393,830
Greater Lawrence Sanitary District.....	27,043,825	12.5%	1,880,909
Merrimack Valley Transit Authority.....			<u>170,867</u>
Subtotal, overlapping debt.....			<u>2,445,606</u>
Town direct debt.....			<u>78,346,580</u>
Total direct and overlapping debt.....			<u>\$ 80,792,186</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equalized Valuation.....	\$ 7,353,584,000	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,757,246,000	\$ 7,405,664,700	\$ 7,292,906,600	\$ 7,292,906,600	\$ 7,120,772,800	\$ 7,120,772,800	\$ 7,120,772,800
Debt Limit -5% of Equalized Valuation.....	\$ 367,679,200	\$ 387,862,300	\$ 387,862,300	\$ 387,862,300	\$ 370,283,235	\$ 364,645,330	\$ 364,645,330	\$ 356,038,640	\$ 356,038,640	\$ 356,038,640
Less:										
Outstanding debt applicable to limit.....	61,905,809	67,551,997	67,875,220	66,300,155	67,504,073	65,805,248	67,161,942	68,448,149	64,939,228	58,166,832
Authorized and unissued debt.....	28,691,865	31,184,865	26,227,148	26,655,148	66,704,000	71,307,000	61,724,000	22,637,678	34,648,553	25,480,303
Legal debt margin.....	<u>\$ 277,081,526</u>	<u>\$ 289,125,438</u>	<u>\$ 293,759,932</u>	<u>\$ 294,906,997</u>	<u>\$ 236,075,162</u>	<u>\$ 227,533,082</u>	<u>\$ 235,759,388</u>	<u>\$ 264,952,813</u>	<u>\$ 256,450,859</u>	<u>\$ 272,391,505</u>
Total debt applicable to the limit as a percentage of debt limit.....	24.64%	25.46%	24.26%	23.97%	36.24%	37.60%	35.35%	25.58%	27.97%	23.49%

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
2007	33,284	\$ 1,572,631,974	\$ 47,249	39.5	4.1%
2008	33,418	\$ 1,610,542,591	\$ 48,194	39.5	4.0%
2009	33,700	\$ 1,656,615,926	\$ 49,158	39.5	6.7%
2010	33,700	\$ 1,689,748,245	\$ 50,141	39.5	6.9%
2011	33,201	\$ 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	\$ 2,281,082,789	\$ 72,147	39.5	4.0%
2016	35,299	\$ 2,597,688,709	\$ 73,591	39.5	3.6%

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	2016			2007		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	4,750	1	16%	3,300	1	10%
Internal Revenue Services	Regional Service Center	3,500	2	12%	2,340	2	7%
Philips Electro No Amer Corp. (Agilent)	Medical Electronics	2,300	3	8%	2,000	3	6%
Pfizer	Biotechnology Research & Manufacturing	1,300	4	5%	-	-	-
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%	827	8	3%
Philips Academy	Private School	555	9	2%	1,186	5	4%
Hewlett Packard (Compaq)	Computer Equipment	500	10	2%	500	10	2%
Wyeth BioParma (formerly Genetics Institute)	Biotechnology Research & Manufacturing	-	-	-	1,835	4	6%
Enterasys	Data Processing Services	-	-	-	600	9	2%

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent Town Employees

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Full-Time Equivalents</u>										
Town.....	356	356	346	347	344	344	350	351	356	356
School.....	780	784	794	768	772	762	799	867	862	874
Total	<u>1,136</u>	<u>1,140</u>	<u>1,140</u>	<u>1,115</u>	<u>1,116</u>	<u>1,106</u>	<u>1,149</u>	<u>1,218</u>	<u>1,218</u>	<u>1,230</u>

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Population.....	33,284	33,418	33,700	33,700	33,201	33,201	31,656	31,942	31,617	35,299
Registered Voters, Annual Town Election.....	19,560	12,392	20,505	20,705	20,705	20,705	22,828	22,944	22,442	23,302
Town Clerk										
Births.....	321	249	257	220	220	220	206	239	186	243
Marriages.....	114	113	116	122	122	122	133	134	90	137
Deaths.....	279	290	274	233	233	233	229	255	226	293
Dogs licensed.....	2,365	2,493	2,580	2,469	2,469	2,469	2,527	2,468	2,370	2,338
Fishing & Hunting Licenses	300	300	248	244	244	244	-	-	-	-
Business Certificates.....	125	99	95	70	70	70	78	168	95	111
New Voter Registrations.....	1,320	1,735	927	1,296	1,296	1,296	2,433	960	1,322	2,319
Passport Applications.....	868	541	613	531	531	531	-	-	-	-
Public Safety										
Police										
Documented calls for police services.....	34,542	35,153	24,876	34,495	34,495	34,495	33,863	35,514	28,179	28,017
Arrests.....	635	694	536	496	496	496	412	420	398	406
Domestic Abuse.....	41	28	51	45	45	45	53	52	43	48
Vandalism.....	152	150	154	130	130	130	131	108	108	123
Larceny.....	343	487	381	257	257	257	313	329	267	283
Assaults.....	41	22	36	40	40	40	49	42	38	30
Breaking & Entering.....	61	61	75	73	73	73	50	50	35	51
Motor Vehicle accidents.....	1,057	899	903	924	924	924	847	850	887	835
Parking tickets issued.....	11,249	8,328	6,433	5,187	5,187	5,187	5,072	5,389	4,200	3,825
Total number of animal complaints.....	748	708	732	713	713	713	693	578	688	806
Fire										
Incidents										
Fires.....	979	1,077	1,070	923	923	923	766	690	653	738
EMS Calls.....	2,793	2,853	2,895	2,696	2,696	2,696	2,746	2,740	3,160	3,131
Motor Vehicle Accidents.....	301	241	263	255	255	255	288	308	330	338
Hazardous Conditions.....	253	246	308	280	280	280	312	276	295	249
False Alarms & False Calls.....	678	815	816	752	752	752	748	685	728	740
Good Intent Calls.....	117	133	150	126	126	126	129	93	87	104
Mutual Aid (Fire Calls).....	22	19	26	29	29	29	34	32	37	49
Ambulance Mutual Aid Calls.....	45	27	25	51	51	51	116	102	142	112

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire Prevention Activities.....	1,158	1,299	1,202	939	939	939	945	1,754	1,008	916
Service Calls.....	2,366	2,222	2,090	408	408	408	499	425	619	619
Training.....	230	218	186	137	137	137	302	215	202	181
Co-Activation.....	77	132	131	141	141	141	130	146	155	119
Permits/certificates issued										
Smoke Detectors.....	558	442	446	450	450	450	574	575	600	651
Report Copies.....	58	64	71	60	60	60	48	58	74	64
Blasting Permits.....	4	1	-	2	2	2	-	2	2	3
Cutting/Welding Permits.....	-	33	20	31	31	31	31	34	48	41
Dumpster Permits.....	166	148	179	180	180	180	188	257	317	362
Fireworks Display Permits.....	1	2	2	1	1	1	2	3	4	4
Gunpowder Storage Permits.....	1	-	-	-	-	-	-	-	1	-
Liquid Gas Storage Permits.....	93	60	56	76	76	76	106	69	73	90
Flammable Liquid Storage Permits.....	15	109	27	47	47	47	47	46	61	55
Miscellaneous Permits.....	30	4	25	-	-	-	-	6	73	3
Open Air Burning Permits.....	435	326	489	519	519	519	365	255	222	267
Oil Burner Install Permits.....	131	148	117	147	147	147	100	113	98	110
Commercial Fire Alarm Systems.....	53	51	53	68	68	68	58	124	27	40
Special Suppression System Permits.....	8	12	-	2	2	2	6	13	2	6
Sprinkler Install Permits.....	59	63	47	72	72	72	90	64	41	64
Underground Tank Re-certification.....	3	16	4	18	18	18	14	19	6	N/A
Underground Tank Removals.....	56	93	54	58	58	58	91	67	68	82
Building Department										
Permits issued.....	1,270	1,288	1,191	1,345	1,345	1,345	1,252	1,652	1,771	1,994
Education										
Public school enrollment.....	5,939	6,127	6,171	6,121	6,121	6,121	6,262	6,110	6,076	6,075
Public Works										
Cemetery										
Lots sold.....	48	35	61	33	33	33	70	40	55	74
Interments/cremations.....	71	49	70	75	75	75	84	64	70	80

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Human Services										
Board of Health										
Plan reviews.....	248	291	243	269	269	269	282	505	262	207
Inspections										
Restaurant	328	339	453	278	278	278	385	353	327	288
Environmental/Sanitary Code.....	386	388	346	322	322	322	418	403	448	311
Complaints investigated.....	-	-	114	138	138	138	101	98	99	108
Administrative Hearings.....	9	6	2	4	4	4	2	5	7	6
Council on Aging										
Home delivered meals served.....	30,521	25,479	17,794	25,589	25,589	25,589	21,012	22,764	22,992	23,108
Medical-van trips.....	-	-	1,082	1,399	1,399	1,399	1,502	1,352	1,366	1,865
Libraries										
Program attendance.....	14,356	5,855	16,429	16,664	16,664	16,664	17,016	22,570	25,473	32,214
Books & Periodicals.....	333,842	360,845	374,152	364,795	364,795	364,795	394,506	386,137	372,179	363,419
PC & Internet Use.....	52,508	62,828	67,362	76,124	76,124	76,124	65,780	53,965	49,220	47,060
Reference Questions.....	62,426	70,000	75,277	67,195	67,195	67,195	72,163	68,835	73,749	65,338
Non-Print Circulation.....	157,731	129,267	156,273	144,489	144,489	144,489	197,921	196,615	179,372	164,300
Sewer										
Service connections.....	6,100	6,100	6,200	6,200	6,200	6,200	6,200	6,200	5,900	6,534
Water										
Daily consumption (in million gallons).....	7.100	7.300	6.200	6.900	6.900	6.900	6.900	7.200	7.100	7.424

Source: Various Town Departments

(concluded)

Capital Asset Statistics by Function/Program

Last Ten Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Number of Buildings.....	16	16	16	16	16	16	16	16	20	20
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	3	3	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	235	235	235	235	222	223
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,369	2,374
Sanitary sewers (miles).....	146	146	146	146	146	146	146	146	137	137
Storm sewers (miles).....	80	80	80	80	80	80	80	80	120	120
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	14	14	14	20	20
Parks.....	4	4	4	4	4	4	4	4	6	6
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage.....	29.60	29.60	29.60	29.60	29.60	29.60	29.60	29.60	29.60	29.60
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	31	31	31	31	31	31	31	31	39	40
Tennis courts.....	10	10	10	10	10	10	10	10	11	11

Source: Various Town Departments

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Levy Limit.....	\$ 87,189,479	\$ 94,111,774	\$ 97,209,952	\$ 101,350,979	\$ 104,729,225	\$ 109,075,475	\$ 112,609,324	\$ 117,859,068	\$ 124,235,546	\$ 129,300,643
Previous Levy.....	82,958,866	87,189,479	91,201,846	94,838,978	98,313,488	101,868,863	106,128,017	110,260,239	114,580,485	119,797,141
Legal Increase.....	2,073,972	2,179,737	2,280,046	2,370,974	2,457,837	2,546,722	2,653,200	2,756,506	2,864,512	2,994,929
New Growth.....	2,156,641	1,832,630	1,357,086	1,103,536	1,097,538	1,712,432	1,479,022	1,563,740	2,352,143	2,204,083
Debt Exclusion.....	3,110,790	2,909,928	3,173,848	3,037,491	2,860,362	2,947,458	2,349,085	3,278,583	4,438,406	4,304,490
Maximum Taxing Capacity...	<u>\$ 90,300,269</u>	<u>\$ 94,111,774</u>	<u>\$ 98,012,826</u>	<u>\$ 101,350,979</u>	<u>\$ 104,729,225</u>	<u>\$ 109,075,475</u>	<u>\$ 112,609,324</u>	<u>\$ 117,859,068</u>	<u>\$ 124,235,546</u>	<u>\$ 129,300,643</u>
Actual Levy.....	\$ 90,261,283	\$ 94,077,719	\$ 97,976,754	\$ 101,290,116	\$ 104,658,300	\$ 108,874,156	\$ 111,893,513	\$ 117,506,432	\$ 122,233,763	\$ 127,696,873
Unused Levy Capacity.....	\$ 38,986	\$ 34,055	\$ 36,072	\$ 60,863	\$ 70,925	\$ 201,319	\$ 715,811	\$ 352,636	\$ 2,001,783	\$ 1,603,770

Source: Assessor's Department, Town of Andover