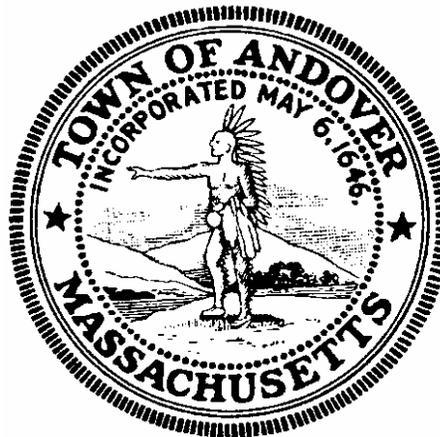


# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



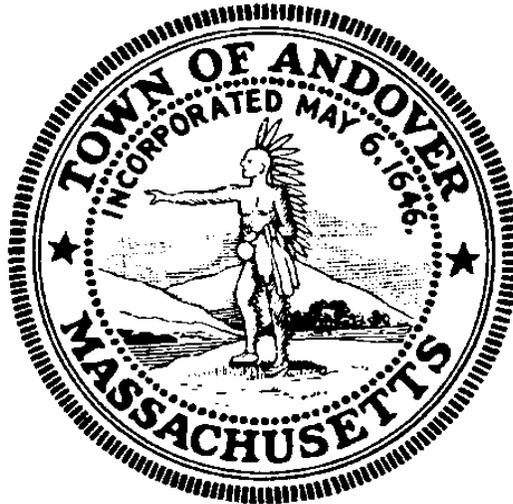
For the Fiscal Year Ended June 30, 2006



# TOWN OF ANDOVER, MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended  
June 30, 2006



Prepared by:

Rodney Smith, Town Accountant

TOWN OF ANDOVER, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2006

**TABLE OF CONTENTS**

<b>Introductory Section.....</b>	<b>1</b>
Letter of Transmittal .....	3
GFOA Certificate of Achievement.....	8
Organizational Chart .....	9
Principal Town Officials.....	10
<b>Financial Section .....</b>	<b>11</b>
Independent Auditors' Report .....	13
Management's Discussion and Analysis .....	15
Basic Financial Statements.....	24
Statement of Net Assets.....	25
Statement of Activities.....	26
Governmental funds – balance sheet .....	28
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.....	29
Governmental funds – statement of revenues, expenditures and changes in fund balances .....	30
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	31
Proprietary funds – statement of net assets.....	32
Proprietary funds – statement of revenues, expenses and changes in fund net assets .....	33
Proprietary funds – statement of cash flows .....	34
Fiduciary funds – statement of fiduciary net assets .....	35
Fiduciary funds – statement of changes in fiduciary net assets.....	36
Notes to basic financial statements.....	37
Required Supplementary Information .....	61
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....	62
Combining Statements.....	66
Nonmajor Governmental Funds .....	67
Nonmajor governmental funds – combining balance sheet .....	70

Nonmajor governmental funds – combining statement of revenues, expenditures, and changes in fund balances .....	74
Internal Service Funds .....	77
Internal service funds – combining statement of net assets.....	78
Internal service funds – combining statement of revenues, expenses, and changes in fund net assets .....	79
Internal service funds – combining statement of cash flows .....	80
Agency Fund .....	81
Agency fund – statement of changes in assets and liabilities .....	82
<b>Statistical Section.....</b>	<b>83</b>
Net assets by component – last four fiscal years .....	84
Change in net assets – last four fiscal years .....	85
Fund balances, governmental funds – last ten fiscal years.....	86
Changes in fund balances, governmental funds – last ten fiscal years.....	87
Assessed value and actual value of taxable property by classification and tax rates – last ten fiscal years .....	88
Principal taxpayers – current year and nine years ago .....	89
Property tax levies and collections – last ten fiscal years.....	90
Ratios of outstanding debt and general bonded debt – last ten fiscal years .....	91
Direct and overlapping governmental activities debt – as of June 30, 2006 .....	92
Computation of legal debt margin – last ten fiscal years .....	93
Demographic and economic statistics – last ten fiscal years .....	94
Principal employers (excluding Town) – current year and nine years ago.....	95
Full-time equivalent Town employees by function – last ten fiscal years .....	96
Operating indicators by function/program – last ten calendar years .....	97
Capital asset statistics by function/program – last ten fiscal years.....	100
Computation of levy capacity and unused levy capacity – last ten fiscal years .....	101

# ***Introductory Section***



# ***Introductory Section***

This page left intentionally blank.



# Town of Andover

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

## Letter of Transmittal

September 8, 2006

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

At the close of each fiscal year, state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the fiscal year ending June 30, 2006 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 of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Andover's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Andover's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **Profile of the Town**

Andover is located in Essex County in the northeastern part of Massachusetts, approximately 23 miles north of Boston. Located on the banks of the Merrimack River, Andover is bordered on the north by the cities of Lawrence and Methuen, on the east by the town of North Andover, on the south by the towns of North Reading and Wilmington, and on the west by the towns of Tewksbury and Dracut. Andover has approximately 32 square miles of land area, and 223 miles of roadways.

Andover is bisected by two major highway systems, Routes 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 of the town, manufacturing has played a major part in its 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, and amended in 1974. 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 all 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 (one early childhood, five 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 veterans services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, purification, 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 Abbott Street, which includes recreational and instructional swimming; shaded picnic tables; boat rentals; volleyball; and a children's playground. The Town of Andover is committed to a high degree of community responsiveness; providing high quality services to its citizens, and conducting all of its affairs in a professional manner.

The Town Manager is responsible for preparing and presenting the budget to 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 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 individual department 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.

### **Factors Affecting Economic Condition**

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

**Local economy.** Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail-line, and proximity to international airports in Boston and Manchester, 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, biotech, and medical products. Andover’s ten largest commercial/industrial employers are Raytheon, Philips Electronics, Wyeth BioPharma, Putnam Investments, Vicor, Verizon, Compaq, Gillette, Smith-Nephew, and Comverse Network Systems. There are approximately 259 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 \$6.4 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates, averaging 9.7% annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

**Long-term financial planning.** The Town of Andover has a proud history of maintaining a solid financial position in all economies, as indicated by its continued “Aaa” bond rating. The Town’s financial actions are generally guided by a number of formal financial policies including long range planning tools such as a five-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 a number of years of reduced state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the raising rate of employee healthcare costs. The Town has also been able to maintain a significant level of reserve capacity during these challenging years.

The Town is currently managing approximately \$100 million worth of long and short-term debt. This indebtedness consists of approximately \$84 million of general obligation bonds and \$16 million of short term notes outstanding. Approximately \$25 million or 30% of the \$84 million is scheduled to be paid by the end of fiscal 2009 and the remaining \$59 million by fiscal 2026. Approximately \$27 million is self-supporting through enterprise fund revenues. Also, the Commonwealth will be reimbursing the Town approximately \$20 million of the General Obligation Bonds through a program to assist the communities in the building of new school facilities.

The Town has authorized and unissued debt for land acquisition, landfill closure, school construction, water and sewer infrastructure and other various projects totaling \$33 million as of June 30, 2006.

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

**Cash management policies and practices.** The Town of Andover issues property tax bills quarterly and derives approximately 72% of annual General Fund revenue from this source. The quarterly billings result in a cyclical buildup and then spend down of operational cash reserves. Every effort is made to put our reserves to work. For the past 24 months, this has been a challenging proposition due to the historically low rate of return for most traditional investment vehicles. Most permissible investments are influenced by this rate. 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 transfers excess funds out of all depository accounts into a repurchase account with Century Bank. Surpluses are transferred to various banks to obtain the highest competitive return. The Treasurer is responsible for having on hand adequate cash to pay bills and fund payroll on a weekly basis. Requirements as such, including legal investment constraints, limit the Treasurer's ability to invest longer term. In today's earnings environment, short-term earnings are modest.

The Treasurer must continually evaluate cash flow data to determine that amount of money that can be invested for a longer term, thus yielding a higher return. The Treasurer operates on an aggregate cash basis and invests in the same fashion. This means that the Treasurer does not make separate investments linked to fund balances maintained on the general ledger but invests on the basis of estimated aggregate cash surpluses and the availability of those surpluses. 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 investment relationships with numerous banks and other financial institutions. Since short-term rates fluctuate frequently amongst these institutions, the Treasurer has arranged to be notified automatically whenever a rate change occurs.

A financial institution's Trust Division manages the Town's trust funds. Each trust fund has a distinct purpose and, therefore, the mix of holdings in cash, fixed income securities and equities will vary by fund. The amount of annual income required and the timing of disbursements generally governs this mix.

**Risk management.** The Town of Andover manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Health care and workers compensation are a combination of self-insured and premium based plans. The Town is exposed to various risks of loss related to general liability, property and casualty, workers' compensation and unemployment compensation claims. Buildings and property are fully insured against fire, theft and natural disaster to the extent that losses exceed the Town's deductible per incident. These deductibles vary by type of incident, none of which exceed \$25,000.

**Pension and other post-employment benefits.** The Town of Andover contributes to the Andover Contributory Retirement System (the System), a cost sharing, defined benefit pension plan administered by the Andover Contributory Retirement Board. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System has succeeded in funding 78% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 18 years as part of the annual required contribution calculated by the actuary.

The Town of Andover also provides post retirement health care benefits for certain retirees and their dependents. There were 330 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. For Fiscal 2009, the Town will have to conduct an actuarial valuation to determine this unfunded liability and begin to recognize the annual cost of reducing this liability in addition to the current year benefits.

Additional information on the Town of Andover's pension and post employment benefits can be found in the notes to the financial statements.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the second 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 Finance and Accounting department staffs. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen and Town Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover's finances. And special thanks to Steven Bucuzzo, Assistant Town Manager, Anthony Torrisi, Finance and Budget Director, David Reilly, Town Treasurer, and Theo Moccia, Assistant Town Accountant.

Respectfully submitted,



Reginald S. Stapczynski  
Town Manager



Rodney P. Smith  
Town Accountant

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Town of Andover Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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



*Carla E. Perry*

President

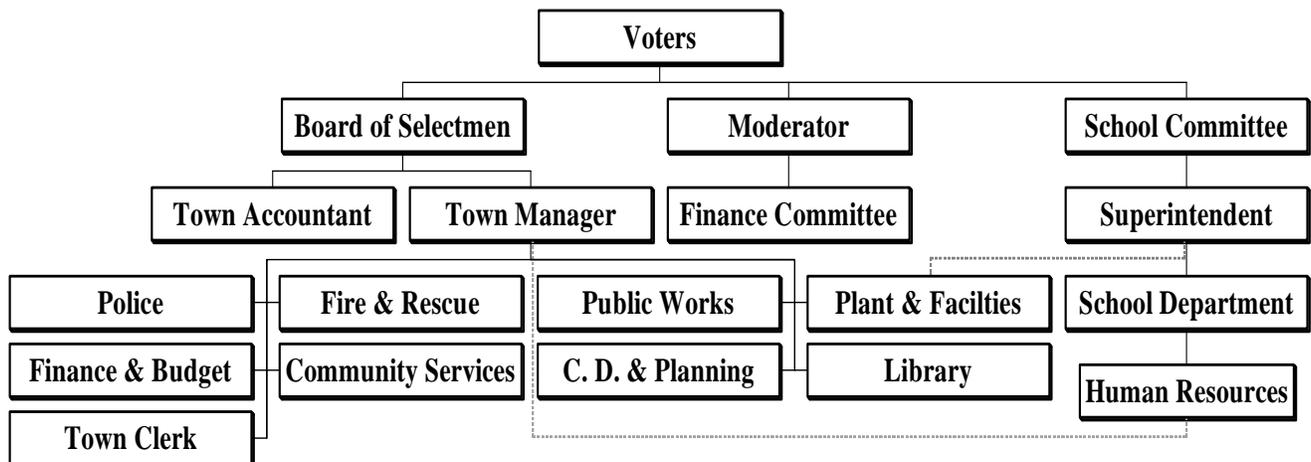
*Jeffrey R. Emer*

Executive Director

# Town of Andover



## ORGANIZATION



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

## Principal Town Officials

### Elected Officials

Board of Selectmen

Alex J. Vispoli, Chairman  
Ted E. Teichert  
Brian P. Major  
John P. Hess  
Mary K. Lyman

Town Moderator

James D. Doherty

School Committee

Anthony H. James, Chairman  
Debra Rahmin Silberstein  
Arthur H. Barber  
Richard J. Collins  
David S. Samuels

### Appointed Officials

Town Manager

Reginald S. Stapczynski

Assistant Town Manager

Steven S. Bucuzzo

Town Accountant

Rodney P. Smith

Finance Director

Anthony J. Torrisi

Treasurer

David J. Reilly

Town Assessor

Bruce A. Symmes

Town Clerk

Randall L. Hanson

Fire Chief

Charles H. Murnane, Jr.

Police Chief

Brian J. Pattullo

Human Resources Director

Candace Hall

Library Director

James E. Sutton

Plant & Facilities Director

Joseph R. Piantedosi

Public Works Director

John A. Petkus, Jr.

# ***Financial Section***



# ***Financial Section***

This page left intentionally blank.



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

To the Honorable Board of Selectmen  
Town of Andover, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of and for the fiscal year ended June 30, 2006 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2005), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Andover, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2006 (except for the Andover Contributory Retirement System which is as of December 31, 2005), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Andover, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

A handwritten signature in cursive script that reads "Powers + Sullivan".

September 8, 2006

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

This page left intentionally blank.

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

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. 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**

- The assets of the Town of Andover exceeded its liabilities at the close of the most recent fiscal year by \$165.7 million (net assets).
- Of this amount, 17% or \$27.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's general fund reported an ending fund balance of \$9.4 million, an increase of \$206,000 in comparison with the prior year. Total fund balance represents 8% of total general fund expenditures.
- The Town's total debt (short-term and long-term combined) decreased by \$3.8 million during the current fiscal year. This was the net effect of \$28.9 million in principal payments on debt and the issuance of \$25.1 million in debt for school construction projects, building renovations, and infrastructure improvements.
- The Massachusetts School Building Authority (MSBA) is committed to providing assistance in the form of a capital grant equal to 60% of approved cost related to the Town's school construction projects through its school building assistance program.

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

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, plant and facilities, community development, 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.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Andover adopts an annual appropriated budget for its general fund. A budgetary comparison statement 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 insurance.

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

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

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Andover's assets exceeded liabilities by \$165.8 million at the close of Fiscal 2006 an increase of \$1 million from the prior year.

Net assets of \$133.8 million (81%) 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 the governmental net assets \$4 million (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$27.9 million (17%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The governmental activity and business-type activity components of the Town are presented below.

### Governmental Activities

The Town of Andover's assets exceeded liabilities for governmental activities by \$105.8 million at the close of Fiscal 2006.

	Governmental Activities	
	FY06	FY05
	<u>                    </u>	<u>                    </u>
<b>Assets:</b>		
Current assets.....	\$ 32,335,143	\$ 34,899,702
Noncurrent assets (excluding capital).....	16,789,143	18,292,605
Capital assets.....	<u>129,124,955</u>	<u>128,908,275</u>
<b>Total assets.....</b>	<b><u>178,249,241</u></b>	<b><u>182,100,582</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,609,788	5,420,839
Noncurrent liabilities (excluding debt).....	7,913,000	6,447,000
Current debt.....	7,718,841	13,003,935
Noncurrent debt.....	<u>51,249,125</u>	<u>51,782,966</u>
<b>Total liabilities.....</b>	<b><u>72,490,754</u></b>	<b><u>76,654,740</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	89,418,470	91,145,822
Restricted.....	4,032,029	4,426,387
Unrestricted.....	<u>12,307,988</u>	<u>9,873,633</u>
<b>Total net assets.....</b>	<b><u>\$ 105,758,487</u></b>	<b><u>\$ 105,445,842</u></b>

Governmental Activities

	FY06	FY05
<b>Program revenues:</b>		
Charges for services.....	\$ 9,936,469	\$ 10,486,676
Operating grants and contributions.....	18,475,708	18,316,439
Capital grants and contributions.....	890,600	813,166
<b>General Revenues:</b>		
Real estate and personal property taxes.....	85,467,543	80,128,940
Motor vehicle and other excise taxes.....	5,439,946	5,472,241
Nonrestricted grants.....	2,016,691	1,857,933
Unrestricted investment income.....	955,407	493,590
Other revenues.....	471,235	579,944
<b>Total revenues.....</b>	<b>123,653,599</b>	<b>118,148,929</b>
<b>Expenses:</b>		
General government.....	4,450,036	4,350,415
Public safety.....	17,782,178	17,246,901
Education.....	79,034,278	72,624,199
Public works.....	7,405,556	9,038,654
Plant and facilities.....	5,971,059	5,663,229
Community development.....	1,920,879	1,766,512
Community services.....	2,833,581	2,806,626
Library.....	3,433,876	3,326,096
Interest.....	2,569,615	3,028,040
<b>Total expenses.....</b>	<b>125,401,058</b>	<b>119,850,672</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(1,747,459)</b>	<b>(1,701,743)</b>
<b>Transfers.....</b>	<b>2,060,104</b>	<b>1,478,552</b>
<b>Change in net assets.....</b>	<b>\$ 312,645</b>	<b>\$ (223,191)</b>

The governmental expenses totaled \$125.4 million of which \$29.3 million (23%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$94.4 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net assets increased by \$312,000 during the current fiscal year which is primarily due to the Town using less free cash to balance the general fund operating budget than appropriated and the Town's final distribution of its invested balance with the North East Solid Waste Committee, a joint venture for the disposal of solid waste.

**Business-type Activities**

For the Town's business-type activities, assets exceeded liabilities by \$60 million at the close of Fiscal 2006.

	Business-type Activities	
	<u>FY06</u>	<u>FY05</u>
<b>Assets:</b>		
Current assets.....	\$ 14,831,396	\$ 16,550,429
Noncurrent assets (excluding capital).....	7,004,696	6,092,309
Capital assets.....	80,634,505	78,728,099
<b>Total assets.....</b>	<b><u>102,470,597</u></b>	<b><u>101,370,837</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,093,952	2,716,822
Noncurrent liabilities (excluding debt).....	271,000	261,000
Current debt.....	16,811,167	12,029,066
Noncurrent debt.....	24,305,886	27,072,035
<b>Total liabilities.....</b>	<b><u>42,482,005</u></b>	<b><u>42,078,923</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	44,383,954	46,068,289
Unrestricted.....	15,604,638	13,223,625
<b>Total net assets.....</b>	<b><u>\$ 59,988,592</u></b>	<b><u>\$ 59,291,914</u></b>

	Business-type Activities	
	<u>FY06</u>	<u>FY05</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 9,336,513	\$ 9,319,329
Capital grants and contributions.....	2,706,471	3,187,177
<b>General Revenues:</b>		
Unrestricted investment income.....	156,912	45,977
<b>Total revenues.....</b>	<b><u>12,199,896</u></b>	<b><u>12,552,483</u></b>
<b>Expenses:</b>		
Water.....	5,522,811	5,279,568
Sewer.....	3,920,303	3,418,402
<b>Total expenses.....</b>	<b><u>9,443,114</u></b>	<b><u>8,697,970</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>2,756,782</b>	<b>3,854,513</b>
<b>Transfers.....</b>	<b><u>(2,060,104)</u></b>	<b><u>(1,478,552)</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 696,678</u></b>	<b><u>\$ 2,375,961</u></b>

Business-type net assets of \$44.4 million (74%) represent the investment in capital assets while \$15.6 million (26%) is unrestricted. The Town's business-type net assets increased by \$697,000 in the current fiscal year.

The sewer department experienced a net increase of \$1.2 million in net assets. Charges for services decreased by 3% while cost of services and administration increased by 3%. The increase in net assets is primarily due to sewer special assessments.

At the same time, the water department operations net assets decreased by (\$549,000). Charges for services increased by 3% while cost of services and administration increased by 8%.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$18.9 million, of which \$9.4 million is for the general fund and \$9.6 million is for nonmajor governmental funds. Cumulatively there was a decrease of \$1.1 million in fund balances from the prior year. The General Fund had an increase of \$206,000 that is primarily due to favorable revenue and expenditure budgetary results that eliminated the need to use free cash appropriated to balance the Town's operating budget. The nonmajor funds experienced a decrease of \$1.3 million which is primarily due to expenditures in the capital projects funds exceeding other financing sources.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6.8 million, while total fund balance was \$9.4 million. Reservations of fund balance for encumbrances and continuing appropriations totaled \$1.8 million and \$744,000 was designated for amounts voted to be used in fiscal 2006. Unreserved fund balance represents 6% of total general fund expenditures, while total fund balance represents 8% of that same amount.

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

The \$1.4 million increase between the original budget and the final amended budget was primarily due to \$938,000 of transfers to the employee compensation fund, stabilization fund and the capital projects fund. Additional appropriations included \$250,000 for health insurance and \$160,000 for school operations.

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

In conjunction with the annual operating budget, the Town annually prepares a capital budget for the upcoming fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures. The Town of Andover maintains an Aaa Bond Rating with Moody's Investors Service. The Town continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government, as of June 30, 2006, totaled \$57.1 million, of which \$38.6 million is related to school projects and \$10.5 million is for public safety projects, leaving a balance of \$8 million for other CIP related projects. The Town issued \$5.3 million of long-term bonds payable to fund school and town building construction and renovation projects, the purchase of public safety equipment and street and sidewalk repairs.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. One form of the grants is 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, 2006 the Town is scheduled to receive \$2.9 million of future interest grants and \$17.4 million of capital grants. The payment schedule of the Commonwealth is structured to match the debt service expenditures.

In fiscal 2004, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Accordingly, the Town of Andover received a lump-sum payment of \$3.8 million that was used to pay down a school construction note payable.

The Town has \$1.9 million in governmental and \$14 million in enterprise bond anticipation notes outstanding at year-end that are due on December 8, 2006 and December 31, 2006 with interest rates ranging from 1.6% to 4.5%.

The sewer and water enterprise funds have \$19.6 million and \$7.5 million, respectively of outstanding long-term debt at year-end that is fully supported by rates and does not rely on a general fund subsidy.

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

- Governmental additions included land acquisition, building construction and improvements and machinery and equipment acquisitions totaling approximately \$5.8 million.
- Sewer and water infrastructure additions totaling approximately \$5.5 million were completed in fiscal 2006.

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

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

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

# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 20,038,827	\$ 10,514,729	\$ 30,553,556
Investments.....	5,237,354	6,321	5,243,675
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,596,049	-	1,596,049
Tax liens.....	527,056	-	527,056
Motor vehicle and other excise taxes.....	409,677	-	409,677
User fees.....	-	3,835,904	3,835,904
Departmental and other.....	391,550	-	391,550
Special assessments.....	-	458,834	458,834
Intergovernmental.....	3,552,180	-	3,552,180
Tax foreclosures.....	218,973	-	218,973
Working capital deposit.....	185,600	-	185,600
Deferred charges on refunding.....	177,877	15,608	193,485
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	75,632	-	75,632
Intergovernmental.....	16,045,857	-	16,045,857
Special assessments.....	-	6,946,111	6,946,111
Deferred charges on refunding.....	667,654	58,585	726,239
Capital assets, non depreciable.....	27,305,868	381,147	27,687,015
Capital assets, net of accumulated depreciation.....	101,819,087	80,253,358	182,072,445
<b>TOTAL ASSETS.....</b>	<b>178,249,241</b>	<b>102,470,597</b>	<b>280,719,838</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	911,616	478,610	1,390,226
Accrued payroll.....	2,829,302	37,260	2,866,562
Tax refunds payable.....	98,258	-	98,258
Accrued interest.....	309,757	444,813	754,570
Other liabilities.....	265,855	7,269	273,124
Compensated absences.....	1,057,000	126,000	1,183,000
Workers' compensation.....	138,000	-	138,000
Bonds and notes payable.....	7,718,841	16,811,167	24,530,008
<b>NONCURRENT:</b>			
Compensated absences.....	3,160,000	271,000	3,431,000
Workers' compensation.....	383,000	-	383,000
Landfill closure.....	4,370,000	-	4,370,000
Bonds and notes payable.....	51,249,125	24,305,886	75,555,011
<b>TOTAL LIABILITIES.....</b>	<b>72,490,754</b>	<b>42,482,005</b>	<b>114,972,759</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	89,418,470	44,383,954	133,802,424
Restricted for:			
Permanent funds:			
Expendable.....	363,604	-	363,604
Nonexpendable.....	1,268,238	-	1,268,238
Grants and gifts.....	2,400,187	-	2,400,187
Unrestricted.....	12,307,988	15,604,638	27,912,626
<b>TOTAL NET ASSETS.....</b>	<b>\$ 105,758,487</b>	<b>\$ 59,988,592</b>	<b>\$ 165,747,079</b>

The accompanying notes are an integral part of this audited financial statement.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,450,036	\$ 852,214	\$ 95,246	\$ -	\$ (3,502,576)
Public safety.....	17,782,178	4,173,141	440,233	-	(13,168,804)
Education.....	79,034,278	3,303,391	16,421,600	63,731	(59,245,556)
Public works.....	7,405,556	148,430	165,380	826,869	(6,264,877)
Plant and facilities.....	5,971,059	-	123,544	-	(5,847,515)
Community development.....	1,920,879	-	-	-	(1,920,879)
Community services.....	2,833,581	1,408,937	247,507	-	(1,177,137)
Library.....	3,433,876	50,356	358,494	-	(3,025,026)
Interest.....	2,569,615	-	623,704	-	(1,945,911)
Total Governmental Activities.....	<u>125,401,058</u>	<u>9,936,469</u>	<u>18,475,708</u>	<u>890,600</u>	<b>(96,098,281)</b>
<i>Business-Type Activities:</i>					
Sewer.....	3,920,303	3,200,763	-	2,677,001	1,957,461
Water.....	<u>5,522,811</u>	<u>6,135,750</u>	<u>-</u>	<u>29,470</u>	<u>642,409</u>
Total Business-Type Activities.....	<u>9,443,114</u>	<u>9,336,513</u>	<u>-</u>	<u>2,706,471</u>	<b>2,599,870</b>
Total Primary Government.....	<u>\$ 134,844,172</u>	<u>\$ 19,272,982</u>	<u>\$ 18,475,708</u>	<u>\$ 3,597,071</u>	<u>\$ (93,498,411)</u>

The accompanying notes are an integral part of this audited financial statement.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(96,098,281)</b>	\$ <b>2,599,870</b>	\$ <b>(93,498,411)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	85,467,543	-	85,467,543
Tax liens.....	137,894	-	137,894
Motor vehicle excise taxes.....	4,737,214	-	4,737,214
Hotel/motel tax.....	702,732	-	702,732
Penalties and interest on taxes.....	279,901	-	279,901
Grants and contributions not restricted to specific programs.....	2,016,691	-	2,016,691
Unrestricted investment income.....	955,407	156,912	1,112,319
Miscellaneous.....	53,440	-	53,440
<i>Transfers, net</i> .....	2,060,104	(2,060,104)	-
Total general revenues and transfers.....	96,410,926	(1,903,192)	94,507,734
Change in net assets.....	312,645	696,678	1,009,323
<i>Net Assets:</i>			
Beginning of year.....	105,445,842	59,291,914	164,737,756
End of year.....	\$ <u>105,758,487</u>	\$ <u>59,988,592</u>	\$ <u>165,747,079</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2006

<b>ASSETS</b>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 10,386,668	\$ 9,152,225	\$ 19,538,893
Investments.....	2,587,202	2,650,152	5,237,354
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	1,596,049	-	1,596,049
Real estate tax deferrals.....	75,632	-	75,632
Tax liens.....	527,056	-	527,056
Motor vehicle and other excise taxes.....	409,677	-	409,677
Departmental and other.....	235,625	155,925	391,550
Intergovernmental.....	17,526,405	2,071,632	19,598,037
Tax foreclosures.....	218,973	-	218,973
<b>TOTAL ASSETS.....</b>	<b>\$ 33,563,287</b>	<b>\$ 14,029,934</b>	<b>\$ 47,593,221</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 676,352	\$ 235,264	\$ 911,616
Accrued payroll.....	2,697,894	131,408	2,829,302
Tax refunds payable.....	98,258	-	98,258
Accrued interest on short-term debt.....	5,040	-	5,040
Other liabilities.....	265,855	-	265,855
Deferred revenues.....	20,429,419	2,227,557	22,656,976
Notes payable.....	-	1,885,000	1,885,000
<b>TOTAL LIABILITIES.....</b>	<b>24,172,818</b>	<b>4,479,229</b>	<b>28,652,047</b>
 <b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances and continuing appropriations.....	1,860,571	-	1,860,571
Perpetual permanent funds.....	-	1,268,238	1,268,238
Unreserved:			
Designated for subsequent year's expenditures.....	744,000	-	744,000
Undesignated, reported in:			
General fund.....	6,785,898	-	6,785,898
Special revenue funds.....	-	6,171,737	6,171,737
Capital projects funds.....	-	1,747,126	1,747,126
Permanent funds.....	-	363,604	363,604
<b>TOTAL FUND BALANCES.....</b>	<b>9,390,469</b>	<b>9,550,705</b>	<b>18,941,174</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 33,563,287</b>	<b>\$ 14,029,934</b>	<b>\$ 47,593,221</b>

The accompanying notes are an integral part of this audited financial statement.

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

JUNE 30, 2006

Total governmental fund balances.....		\$ 18,941,174
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		129,124,955
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		22,656,976
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		164,534
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(304,717)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(57,082,966)	
Landfill closure.....	(4,370,000)	
Compensated absences.....	<u>(4,217,000)</u>	
Net effect of reporting long-term liabilities.....		(65,669,966)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>845,531</u>
Net assets of governmental activities.....		<u>\$ 105,758,487</u>

The accompanying notes are an integral part of this audited financial statement.

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

FISCAL YEAR ENDED JUNE 30, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Real estate and personal property taxes, net of tax refunds.....	\$ 85,233,515	\$ -	\$ 85,233,515
Tax liens.....	86,449	-	86,449
Motor vehicle excise taxes.....	5,000,633	-	5,000,633
Hotel/motel tax.....	713,732	-	713,732
Penalties and interest on taxes.....	279,901	-	279,901
Licenses and permits.....	1,781,912	-	1,781,912
Intergovernmental.....	21,982,860	4,129,052	26,111,912
Departmental and other.....	2,405,981	5,494,858	7,900,839
Contributions.....	-	26,052	26,052
Investment income.....	870,581	61,314	931,895
<b>TOTAL REVENUES.....</b>	<b>118,355,564</b>	<b>9,711,276</b>	<b>128,066,840</b>
<b>EXPENDITURES:</b>			
Current:			
General government.....	3,197,844	79,107	3,276,951
Public safety.....	12,084,032	1,598,532	13,682,564
Education.....	51,774,063	6,398,075	58,172,138
Public works.....	4,436,028	376,125	4,812,153
Plant and facilities.....	4,160,906	61,275	4,222,181
Community development.....	1,401,969	90,248	1,492,217
Community services.....	1,626,904	631,097	2,258,001
Library.....	2,418,438	128,886	2,547,324
Pension benefits.....	11,772,996	1,284	11,774,280
Property and liability insurance.....	744,326	-	744,326
Employee benefits.....	9,597,000	304,817	9,901,817
State and county charges.....	1,982,311	-	1,982,311
Capital outlay.....	-	6,707,917	6,707,917
Debt service:			
Principal.....	9,436,934	-	9,436,934
Interest.....	2,408,251	-	2,408,251
<b>TOTAL EXPENDITURES.....</b>	<b>117,042,002</b>	<b>16,377,363</b>	<b>133,419,365</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>1,313,562</b>	<b>(6,666,087)</b>	<b>(5,352,525)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Issuance of bonds and notes.....	-	2,208,000	2,208,000
Transfers in.....	1,907,815	4,886,372	6,794,187
Transfers out.....	(3,015,000)	(1,719,083)	(4,734,083)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(1,107,185)</b>	<b>5,375,289</b>	<b>4,268,104</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>206,377</b>	<b>(1,290,798)</b>	<b>(1,084,421)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>9,184,092</b>	<b>10,841,503</b>	<b>20,025,595</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 9,390,469</b>	<b>\$ 9,550,705</b>	<b>\$ 18,941,174</b>

The accompanying notes are an integral part of this audited financial statement.

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

FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds.....	\$	(1,084,421)
<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.....	5,762,891	
Depreciation expense.....	<u>(5,495,417)</u>	
Net effect of reporting capital assets.....		267,474
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.....		(50,794)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(4,452,765)
<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 assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of bonds and notes.....	(2,208,000)	
Debt service principal payments.....	<u>9,436,934</u>	
Net effect of reporting long-term debt.....		7,228,934
<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.....	35,000	
Net change in accrued interest on long-term debt.....	14,691	
Net change in landfill closure liability.....	(1,290,000)	
Amortization of deferred charge on refunding.....	<u>(176,055)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(1,416,364)
<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>(179,419)</u>
Change in net assets of governmental activities.....	\$	<u><u>312,645</u></u>

The accompanying notes are an integral part of this audited financial statement.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 2,558,358	\$ 7,956,371	\$ 10,514,729	\$ 499,934
Investments.....	6,321	-	6,321	-
Receivables, net of allowance for uncollectibles:				
User fees.....	1,258,358	2,577,546	3,835,904	-
Special assessments.....	458,834	-	458,834	-
Working capital deposit.....	-	-	-	185,600
Deferred charges on refunding.....	-	15,608	15,608	-
<b>Total current assets.....</b>	<b>4,281,871</b>	<b>10,549,525</b>	<b>14,831,396</b>	<b>685,534</b>
<b>NONCURRENT:</b>				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	6,938,772	7,339	6,946,111	-
Deferred charges on refunding.....	-	58,585	58,585	-
Capital assets, non depreciable.....	115,130	266,017	381,147	-
Capital assets, net of accumulated depreciation.....	41,431,682	38,821,676	80,253,358	-
<b>Total noncurrent assets.....</b>	<b>48,485,584</b>	<b>39,153,617</b>	<b>87,639,201</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>52,767,455</b>	<b>49,703,142</b>	<b>102,470,597</b>	<b>685,534</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants payable.....	39,072	439,538	478,610	-
Accrued payroll.....	7,292	29,968	37,260	-
Accrued interest.....	327,226	117,587	444,813	-
Other liabilities.....	7,269	-	7,269	-
Compensated absences.....	14,000	112,000	126,000	-
Workers' compensation.....	-	-	-	138,000
Bonds and notes payable.....	11,769,158	5,042,009	16,811,167	-
<b>Total current liabilities.....</b>	<b>12,164,017</b>	<b>5,741,102</b>	<b>17,905,119</b>	<b>138,000</b>
<b>NONCURRENT:</b>				
Compensated absences.....	40,000	231,000	271,000	-
Workers' compensation.....	-	-	-	383,000
Bonds and notes payable.....	18,075,976	6,229,910	24,305,886	-
<b>Total noncurrent liabilities.....</b>	<b>18,115,976</b>	<b>6,460,910</b>	<b>24,576,886</b>	<b>383,000</b>
<b>TOTAL LIABILITIES.....</b>	<b>30,279,993</b>	<b>12,202,012</b>	<b>42,482,005</b>	<b>521,000</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	13,267,717	31,116,237	44,383,954	-
Unrestricted.....	9,219,745	6,384,893	15,604,638	164,534
<b>TOTAL NET ASSETS.....</b>	<b>\$ 22,487,462</b>	<b>\$ 37,501,130</b>	<b>\$ 59,988,592</b>	<b>\$ 164,534</b>

The accompanying notes are an integral part of this audited financial statement.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FISCAL YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>OPERATING REVENUES:</b>				
Employee contributions .....	\$ -	\$ -	\$ -	\$ 3,364,550
Employer contributions .....	-	-	-	9,682,000
Charges for services .....	3,200,763	6,135,750	9,336,513	-
Special assessments.....	2,599,084	29,470	2,628,554	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>5,799,847</b>	<b>6,165,220</b>	<b>11,965,067</b>	<b>13,046,550</b>
<b>OPERATING EXPENSES:</b>				
Cost of services and administration .....	1,656,996	3,540,510	5,197,506	-
Depreciation.....	1,043,611	1,621,309	2,664,920	-
Employee benefits .....	-	-	-	13,265,494
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,700,607</b>	<b>5,161,819</b>	<b>7,862,426</b>	<b>13,265,494</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>3,099,240</b>	<b>1,003,401</b>	<b>4,102,641</b>	<b>(218,944)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment income.....	12,864	144,048	156,912	39,525
Interest expense.....	(1,219,696)	(360,992)	(1,580,688)	-
Intergovernmental.....	77,917	-	77,917	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(1,128,915)</b>	<b>(216,944)</b>	<b>(1,345,859)</b>	<b>39,525</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS.....</b>	<b>1,970,325</b>	<b>786,457</b>	<b>2,756,782</b>	<b>(179,419)</b>
<b>TRANSFERS:</b>				
Transfers out.....	(724,156)	(1,335,948)	(2,060,104)	-
<b>CHANGE IN NET ASSETS.....</b>	<b>1,246,169</b>	<b>(549,491)</b>	<b>696,678</b>	<b>(179,419)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>21,241,293</b>	<b>38,050,621</b>	<b>59,291,914</b>	<b>343,953</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 22,487,462</b>	<b>\$ 37,501,130</b>	<b>\$ 59,988,592</b>	<b>\$ 164,534</b>

The accompanying notes are an integral part of this audited financial statement.

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

FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sewer	Water	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers and users.....	\$ 4,944,464	\$ 6,548,998	\$ 11,493,462	\$ 3,364,550
Receipts from interfund services provided.....	-	-	-	9,682,000
Payments to vendors.....	(3,254,262)	(1,868,650)	(5,122,912)	-
Payments to employees.....	(367,063)	(1,605,917)	(1,972,980)	(58,046)
Payments for interfund services used.....	-	-	-	(13,196,047)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>1,323,139</b>	<b>3,074,431</b>	<b>4,397,570</b>	<b>(207,543)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers out.....	(724,156)	(1,335,948)	(2,060,104)	-
Intergovernmental.....	77,917	-	77,917	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(646,239)</b>	<b>(1,335,948)</b>	<b>(1,982,187)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from the issuance of bonds and notes.....	10,250,000	3,795,018	14,045,018	-
Acquisition and construction of capital assets.....	(2,654,578)	(1,916,748)	(4,571,326)	-
Principal payments on bonds and notes.....	(9,767,412)	(2,261,654)	(12,029,066)	-
Interest expense.....	(973,959)	(305,764)	(1,279,723)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(3,145,949)</b>	<b>(689,148)</b>	<b>(3,835,097)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments.....	7,189	-	7,189	-
Purchase of investments.....	(6,321)	-	(6,321)	-
Investment income.....	12,864	144,048	156,912	39,525
<b>NET CASH FROM INVESTING ACTIVITIES.....</b>	<b>13,732</b>	<b>144,048</b>	<b>157,780</b>	<b>39,525</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(2,455,317)</b>	<b>1,193,383</b>	<b>(1,261,934)</b>	<b>(168,018)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>5,013,675</b>	<b>6,762,988</b>	<b>11,776,663</b>	<b>667,952</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,558,358</b>	<b>\$ 7,956,371</b>	<b>\$ 10,514,729</b>	<b>\$ 499,934</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>				
Operating income (loss).....	\$ 3,099,240	\$ 1,003,401	\$ 4,102,641	\$ (218,944)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	1,043,611	1,621,309	2,664,920	-
Changes in assets and liabilities:				
User fees.....	515,852	382,221	898,073	-
Special assessments.....	(1,371,235)	1,558	(1,369,677)	-
Working capital deposit.....	-	-	-	107,300
Warrants payable.....	(1,963,653)	19,788	(1,943,865)	(1,899)
Accrued payroll.....	6,068	23,154	29,222	-
Health claims payable.....	-	-	-	(206,000)
Other liabilities.....	256	-	256	-
Accrued compensated absences.....	(7,000)	23,000	16,000	-
Workers' compensation.....	-	-	-	112,000
Total adjustments.....	(1,776,101)	2,071,030	294,929	11,401
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 1,323,139</b>	<b>\$ 3,074,431</b>	<b>\$ 4,397,570</b>	<b>\$ (207,543)</b>

The accompanying notes are an integral part of this audited financial statement.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 388,304	\$ 59,033	\$ 252,940
Investments:			
Fixed income mutual funds.....	24,367,259	-	15,685
Equity mutual funds.....	41,905,566	-	-
International equity mutual funds.....	9,078,638	-	-
PRIT funds.....	8,675,016	-	-
Government sponsored enterprises.....	-	1,183,127	-
Interest and dividends receivable.....	202	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	212,201	-	-
<b>TOTAL ASSETS.....</b>	<b>84,627,186</b>	<b>1,242,160</b>	<b>268,625</b>
<b>LIABILITIES</b>			
Warrants payable.....	39,392	-	-
Liabilities due depositors.....	-	-	268,625
<b>TOTAL LIABILITIES.....</b>	<b>39,392</b>	<b>-</b>	<b>268,625</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 84,587,794	\$ 1,242,160	\$ -

The accompanying notes are an integral part of this audited financial statement.

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

FISCAL YEAR ENDED JUNE 30, 2006

	Pension Trust Fund (as of December 31, 2005)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 3,953,830	\$ -
Employee.....	2,545,718	-
Private donations.....	-	989
Total contributions.....	<u>6,499,548</u>	<u>989</u>
Net investment income (loss):		
Net change in fair value of investments.....	4,077,018	-
Interest.....	1,208,692	107,559
Total investment income (loss).....	5,285,710	107,559
Less: investment expense.....	<u>(248,718)</u>	<u>-</u>
Net investment income (loss).....	<u>5,036,992</u>	<u>107,559</u>
Intergovernmental.....	<u>177,619</u>	<u>-</u>
Transfers from other systems.....	<u>372,384</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>12,086,543</u>	<u>108,548</u>
<b>DEDUCTIONS:</b>		
Administration.....	134,908	14,267
Transfers to other systems.....	95,574	-
Retirement benefits and refunds.....	6,154,396	-
Educational scholarships.....	-	33,923
TOTAL DEDUCTIONS.....	<u>6,384,878</u>	<u>48,190</u>
CHANGE IN NET ASSETS.....	5,701,665	60,358
NET ASSETS AT BEGINNING OF YEAR.....	<u>78,886,129</u>	<u>1,181,802</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 84,587,794</u>	<u>\$ 1,242,160</u>

The accompanying notes are an integral part of this audited financial statement.

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

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

**A. Reporting Entity**

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

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

*Blended Component Units* – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

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

**Availability of Financial Information for Component Units**

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

**Availability of Financial Information for Joint Ventures**

The Town was a member of the North East Solid Waste Committee (NESWC), a joint venture with 23 communities, organized to represent its members in all matters related to solid waste disposal at a regional waste-to-energy facility located in North Andover, Massachusetts. In accordance with a depository agreement NESWC was granted control over various funds received from contractual communities. NESWC ceased to exist as an operating entity during FY2006, at which time the remaining equity balances were returned to the respective member communities. The Town's equity interest of \$3,610,000 was returned during FY2006.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

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

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

### *Government-Wide Financial Statements*

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise fund. 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 are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental fund is 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 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 the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

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

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

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

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

#### D. Cash and Investments

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

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

#### E. Accounts Receivable

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

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

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

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

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

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

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

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

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

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

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

##### ***Water and Sewer User Fees***

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

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

**Departmental and Other**

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

**Intergovernmental**

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

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

F. Inventories

*Government-Wide and Fund Financial Statements*

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

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, 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>	Estimated Useful Life (in years)
Land improvements.....	5-50
Buildings.....	5-50
Machinery and equipment.....	3-20
Vehicles.....	5
Library and textbooks.....	10
Infrastructure.....	10-50

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

#### *Governmental Fund Financial Statements*

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

#### H. Interfund Receivables and Payables

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### I. Interfund Transfers

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

#### *Government-Wide Financial Statements*

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

#### *Fund Financial Statements*

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

#### J. Deferred Revenue

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

## K. Net Assets and Fund Equity

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

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

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

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

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

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

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2007 operating budget.

## L. Long-term debt

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

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

### *Governmental Fund Financial Statements*

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

### M. Investment Income

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

### N. Compensated Absences

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

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

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

#### *Governmental Fund Financial Statements*

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

### O. Post Retirement Benefits

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

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording its share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2006, this expenditure totaled approximately \$1,696,000. There were approximately 330 participants eligible to receive benefits at June 30, 2006.

The Commonwealth of Massachusetts administers a health insurance plan for all retired teachers of the Commonwealth. The cost of providing that benefit is assessed to each community annually. For the fiscal year ending June 30, 2006 this expense/expenditure amounted to \$1,575,902. The number of participants covered is not provided by the Commonwealth.

### P. Fund Deficits

The Road/Drainage capital project fund had a deficit of (\$399,000). This deficit will be funded with available fund balance and/or bond proceeds in future fiscal years.

The Worker's Compensation fund has a deficit of (\$433,000). This deficit will be funded with available fund balance in future fiscal years.

### Q. Use of Estimates

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

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

## R. 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 combined 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, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

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

### 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 does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$29,380,779 and the bank balance totaled \$31,130,684. Of the bank balance, \$700,000 was covered by Federal Depository Insurance, and \$30,430,684 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2005, carrying amount of deposits for the Retirement System totaled \$221,570 and the bank balance totaled \$371,518. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$198,811 in government agencies, \$5,135,970 in government sponsored enterprises and \$204,144 in equity securities the Town has a custodial credit risk exposure of \$5,538,925 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

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 and the Retirement System do not have formal investment policies that limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

As of June 30, 2006, the Town of Andover had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>
<u>Debt Securities:</u>				
Government Agencies.....	\$ 198,811	\$ -	\$ 100,065	\$ 98,746
Government Sponsored Enterprises.....	<u>5,135,970</u>	<u>1,824,410</u>	<u>1,768,072</u>	<u>1,543,488</u>
Total Debt Securities.....	5,334,781	\$ <u>1,824,410</u>	\$ <u>1,868,137</u>	\$ <u>1,642,234</u>
<u>Other Investments:</u>				
Money Market Mutual Funds.....	515,231			
Equity Securities.....	204,144			
Equity Mutual Funds.....	903,562			
MMDT.....	<u>969,519</u>			
Total Investments.....	\$ <u>7,927,237</u>			

As of December 31, 2005, the Retirement System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>6 to 10</u>
<u>Debt Securities:</u>		
Fixed Income Mutual Funds.....	\$ 24,367,259	\$ <u>24,367,259</u>
<u>Other Investments:</u>		
Money Market Mutual Funds.....	58,505	
MMDT.....	108,229	
PRIT Real Estate.....	8,675,016	
Equity Mutual Funds.....	41,905,566	
International Equity Mutual Funds.....	<u>9,078,638</u>	
Total Investments.....	\$ <u>84,193,213</u>	

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. Standard & Poor's Investors Service rated \$5,135,970 of government sponsored enterprise securities AAA.

The Retirement System has not adopted a formal policy related to Credit Risk. Standard & Poor's Investors Service rated \$24,367,259 of fixed income mutual funds AA.

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. No more than 5 percent of the Town's investments are invested in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. No more than 5 percent of the System's investments are invested in any one issuer.

**NOTE 3 – RECEIVABLES**

At June 30, 2006, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,596,049	\$ -	\$ 1,596,049
Real estate tax deferrals.....	75,632	-	75,632
Tax liens.....	527,056	-	527,056
Motor vehicle and other excise taxes.....	898,597	(488,920)	409,677
Departmental and other.....	398,956	(7,406)	391,550
Intergovernmental.....	<u>19,598,037</u>	<u>-</u>	<u>19,598,037</u>
Total.....	<u>\$ 23,094,327</u>	<u>\$ (496,326)</u>	<u>\$ 22,598,001</u>

At June 30, 2006, receivables for the water and sewer enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer user fees.....	\$ 1,258,358	\$ -	\$ 1,258,358
Water user fees.....	2,577,546	-	2,577,546
Sewer special assessments.....	7,397,606	-	7,397,606
Sewer special assessments.....	<u>7,339</u>	<u>-</u>	<u>7,339</u>
	<u>\$ 11,240,849</u>	<u>\$ -</u>	<u>\$ 11,240,849</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,436,051	\$ -	\$ 1,436,051
Real estate tax deferrals.....	75,632	-	75,632
Tax liens.....	527,056	-	527,056
Tax foreclosure.....	218,973	-	218,973
Motor vehicle and other excise.....	409,677	-	409,677
Departmental.....	235,625	155,925	391,550
Intergovernmental.....	17,526,405	2,071,632	19,598,037
Total.....	<u>\$ 20,429,419</u>	<u>\$ 2,227,557</u>	<u>\$ 22,656,976</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 23,487,257	\$ 2,649,800	\$ -	\$ 26,137,057
Construction in progress.....	693,454	475,357	-	1,168,811
Total capital assets not being depreciated.....	<u>24,180,711</u>	<u>3,125,157</u>	<u>-</u>	<u>27,305,868</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	135,595,798	708,479	-	136,304,277
Machinery and equipment.....	3,929,925	1,056,597	-	4,986,522
Land improvements.....	3,242,482	130,819	-	3,373,301
Infrastructure.....	29,403,366	130,390	-	29,533,756
Vehicles.....	5,420,307	285,462	(466,831)	5,238,938
Library books.....	4,140,079	325,987	-	4,466,066
Total capital assets being depreciated.....	<u>181,731,957</u>	<u>2,637,734</u>	<u>(466,831)</u>	<u>183,902,860</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(50,107,976)	(3,553,158)	-	(53,661,134)
Machinery and equipment.....	(2,114,152)	(506,525)	-	(2,620,677)
Land improvements.....	(1,192,291)	(172,329)	-	(1,364,620)
Infrastructure.....	(17,654,416)	(562,958)	-	(18,217,374)
Vehicles.....	(3,442,788)	(363,780)	416,037	(3,390,531)
Library books.....	(2,492,770)	(336,667)	-	(2,829,437)
Total accumulated depreciation.....	<u>(77,004,393)</u>	<u>(5,495,417)</u>	<u>416,037</u>	<u>(82,083,773)</u>
Total capital assets being depreciated, net.....	<u>104,727,564</u>	<u>(2,857,683)</u>	<u>(50,794)</u>	<u>101,819,087</u>
Total governmental activities capital assets, net.....	<u>\$ 128,908,275</u>	<u>\$ 267,474</u>	<u>\$ (50,794)</u>	<u>\$ 129,124,955</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,281,181	-	-	1,281,181
Machinery and equipment.....	82,117	-	-	82,117
Infrastructure.....	46,380,697	2,581,937	-	48,962,634
Vehicles.....	24,052	72,641	-	96,693
Total capital assets being depreciated.....	47,768,047	2,654,578	-	50,422,625
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(656,606)	(32,030)	-	(688,636)
Machinery and equipment.....	(5,945)	(5,082)	-	(11,027)
Infrastructure.....	(7,270,350)	(994,424)	-	(8,264,774)
Vehicles.....	(14,431)	(12,075)	-	(26,506)
Total accumulated depreciation.....	(7,947,332)	(1,043,611)	-	(8,990,943)
Total capital assets being depreciated, net.....	39,820,715	1,610,967	-	41,431,682
Total sewer business-type activities capital assets, net.....	\$ 39,935,845	\$ 1,610,967	\$ -	\$ 41,546,812
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	3,582,872	-	(3,582,872)	-
Total capital assets not being depreciated.....	3,848,889	-	(3,582,872)	266,017
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	40,000	-	-	40,000
Machinery and equipment.....	477,227	-	-	477,227
Infrastructure.....	69,916,961	5,444,646	-	75,361,607
Vehicles.....	583,779	54,974	(199,613)	439,140
Total capital assets being depreciated.....	71,017,967	5,499,620	(199,613)	76,317,974
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(38,500)	(1,000)	-	(39,500)
Machinery and equipment.....	(386,637)	(22,084)	-	(408,721)
Infrastructure.....	(35,182,519)	(1,558,794)	-	(36,741,313)
Vehicles.....	(466,946)	(39,431)	199,613	(306,764)
Total accumulated depreciation.....	(36,074,602)	(1,621,309)	199,613	(37,496,298)
Total capital assets being depreciated, net.....	34,943,365	3,878,311	-	38,821,676
Total water business-type activities capital assets, net.....	38,792,254	3,878,311	(3,582,872)	39,087,693
Total business-type activities capital assets, net.....	\$ 78,728,099	\$ 5,489,278	\$ (3,582,872)	\$ 80,634,505

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

**Governmental Activities:**

General government.....	\$ 262,852
Public safety.....	601,919
Education.....	2,896,901
Public works.....	864,099
Plant and facilities.....	90,660
Library.....	696,122
Community services.....	<u>82,864</u>

Total depreciation expense - governmental activities..... \$ 5,495,417

**Business-Type Activities:**

Sewer.....	\$ 1,043,611
Water.....	<u>1,621,309</u>

Total depreciation expense - business-type activities..... \$ 2,664,920

**NOTE 5 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 3,015,000	\$ 3,015,000 (1)
Nonmajor Governmental Funds.....	391,587	1,327,496	1,719,083 (2)
Sewer Enterprise Fund.....	180,280	543,876	724,156 (3)
Water Enterprise Fund.....	<u>1,335,948</u>	<u>-</u>	<u>1,335,948 (3)</u>
Total.....	<u>\$ 1,907,815</u>	<u>\$ 4,886,372</u>	<u>\$ 6,794,187</u>

- (1) Represents transfers to the employee compensation fund, Town capital project funds, the stabilization fund and the worker's compensation fund.
- (2) Represents the transfer of other available funds and other voted transfers.
- (3) Represents the transfer of indirect costs to the general fund and a voted transfer between the sewer enterprise fund and a school capital project fund for sewer construction.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2006, is as follows:

<b>Governmental Funds</b>				Balance at		Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2005	Renewed/ Issued	Redeemed	June 30, 2006
BAN	Street Project.....	3.50%	12/10/05	\$ 50,000	\$ -	\$ 50,000	\$ -
BAN	Public Safety Center.....	3.50%	12/10/05	175,000	-	175,000	-
BAN	Senior Center Plans.....	3.50%	12/10/05	250,000	-	250,000	-
BAN	School.....	4.50%	12/08/06	-	200,000	-	200,000
BAN	Conservation.....	4.00%	12/08/06	-	100,000	-	100,000
BAN	Lowell Junction.....	4.00%	12/08/06	-	1,100,000	-	1,100,000
BAN	Landfill closure.....	4.00%	12/08/06	-	250,000	-	250,000
BAN	School safety.....	4.00%	12/08/06	-	235,000	-	235,000
Total Governmental.....				\$ 475,000	\$ 1,885,000	\$ 475,000	\$ 1,885,000

<b>Enterprise Funds</b>				Balance at		Retired/	Balance at
Type	Purpose	Rate (%)	Due Date	June 30, 2005	Renewed/ Issued	Redeemed	June 30, 2006
BAN	Street Project.....	2.04%	12/10/05	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
BAN	Sewer project.....	3.50%	12/10/05	2,000,000	-	2,000,000	-
BAN	Sewer project.....	3.50%	12/10/05	1,250,000	-	1,250,000	-
BAN	Sewer project.....	3.50%	12/10/05	1,000,000	-	1,000,000	-
BAN	Sewer project.....	4.50%	12/08/06	-	8,000,000	-	8,000,000
BAN	Sewer project.....	4.50%	12/08/06	-	1,250,000	-	1,250,000
BAN	Sewer project.....	4.50%	12/08/06	-	1,000,000	-	1,000,000
Total Sewer.....				8,250,000	10,250,000	8,250,000	10,250,000
BAN	Water treatment plant.....	3.50%	12/10/05	1,000,000	-	1,000,000	-
BAN	Water treatment plant.....	4.50%	12/08/06	-	2,472,000	-	2,472,000
BAN	Water treatment plant.....	4.00%	12/08/06	-	500,000	-	500,000
BAN	MWPAT.....	1.63%	12/31/06	-	823,018	-	823,018
Total Water.....				1,000,000	3,795,018	1,000,000	3,795,018
Total Business-Type.....				\$ 9,250,000	\$ 14,045,018	\$ 9,250,000	\$ 14,045,018

**NOTE 7 - LONG-TERM DEBT**

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

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town's financial statements. At June 30, 2006, \$21,515,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2006, and the debt service requirements are as follows:

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

Project	Interest Rate (%)	Outstanding at June 30, 2005	Issued	Redeemed	Outstanding at June 30, 2006
Public safety.....	2.00 - 5.00	\$ 11,204,934	\$ 250,000	\$ 907,099	\$ 10,547,835
School projects.....	2.00 - 5.72	44,181,875	1,475,000	7,093,382	38,563,493
Public works.....	2.85 - 5.24	1,195,000	163,000	460,000	898,000
Plant and facilities.....	3.50 - 5.00	3,149,500	320,000	435,500	3,034,000
Land acquisition.....	3.61 - 5.23	4,285,000	-	455,000	3,830,000
Culture and recreation.....	4.48 - 4.89	295,592	-	85,954	209,638
Total Governmental bonds payable.....		<u>\$ 64,311,901</u>	<u>\$ 2,208,000</u>	<u>\$ 9,436,935</u>	<u>\$ 57,082,966</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007..... \$	5,833,841 \$	2,047,274 \$	7,881,115
2008.....	5,657,287	1,844,466	7,501,753
2009.....	5,616,421	1,652,571	7,268,992
2010.....	5,545,720	1,456,424	7,002,144
2011.....	4,299,696	1,276,610	5,576,306
2012.....	4,310,001	1,123,050	5,433,051
2013.....	3,700,000	982,494	4,682,494
2014.....	3,580,000	850,014	4,430,014
2015.....	3,499,999	717,653	4,217,652
2016.....	3,460,000	584,027	4,044,027
2017.....	2,505,001	463,738	2,968,739
2018.....	1,845,000	369,677	2,214,677
2019.....	1,845,000	287,246	2,132,246
2020.....	1,600,000	209,365	1,809,365
2021.....	1,380,000	140,626	1,520,626
2022.....	930,000	87,056	1,017,056
2023.....	675,000	50,181	725,181
2024.....	325,000	27,588	352,588
2025.....	275,000	14,669	289,669
2026.....	200,000	4,375	204,375
Totals..... \$	<u>57,082,966</u> \$	<u>14,189,104</u> \$	<u>71,272,070</u>

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

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2005</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2006</u>
Sewer projects.....	3.90 - 5.00	\$ 21,112,546	\$ -	\$ 1,517,412	\$ 19,595,134
Water projects.....	2.00 - 5.61	8,738,555	-	1,261,654	7,476,901
Total Enterprise bonds payable.....		<u>\$ 29,851,101</u>	<u>\$ -</u>	<u>\$ 2,779,066</u>	<u>\$ 27,072,035</u>

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

Fiscal Year	Principal	Interest	Total
2007.....	\$ 2,766,158	\$ 1,030,187	\$ 3,796,345
2008.....	2,342,713	937,288	3,280,001
2009.....	2,313,577	852,431	3,166,008
2010.....	2,189,281	772,834	2,962,115
2011.....	1,615,306	703,329	2,318,635
2012.....	1,465,000	643,897	2,108,897
2013.....	1,370,000	587,822	1,957,822
2014.....	1,250,000	536,168	1,786,168
2015.....	1,250,000	486,377	1,736,377
2016.....	1,250,000	436,017	1,686,017
2017.....	1,250,000	384,277	1,634,277
2018.....	1,250,000	330,943	1,580,943
2019.....	1,250,000	276,721	1,526,721
2020.....	1,295,000	220,850	1,515,850
2021.....	1,295,000	162,751	1,457,751
2022.....	1,295,000	103,345	1,398,345
2023.....	875,000	53,531	928,531
2024.....	625,000	19,563	644,563
2025.....	125,000	2,781	127,781
Totals.....	\$ <u>27,072,035</u>	\$ <u>8,541,112</u>	\$ <u>35,613,147</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2006, approximately \$1,895,000 of such assistance was received. Approximately \$20,259,000 will be received in future fiscal years. Of this amount, approximately \$2,878,000 represents reimbursement of long-term interest costs, and approximately \$17,380,000 represents reimbursement of approved construction costs. Accordingly, a \$17,380,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In fiscal 2004, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. Accordingly, the Town received a final lump-sum payment of \$3,846,000 million that was used to pay down a school construction note payable.

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, 2006, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 2,500,000
Landfill.....	2,700,000
Municipal buildings.....	480,000
Public safety.....	1,020,000
Public works.....	2,166,500
School projects.....	2,265,000
Sewer projects.....	12,750,000
Water projects.....	8,972,000
<b>Total.....</b>	<b>\$ 32,853,500</b>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Long-Term Bonds and Notes.....	\$ 64,311,901	\$ 2,208,000	\$ (9,436,935)	\$ 57,082,966	\$ 5,833,841
Workers' Compensation.....	409,000	191,036	(79,036)	521,000	138,000
Compensated Absences.....	4,252,000	1,097,000	(1,132,000)	4,217,000	1,057,000
Landfill Closure.....	3,080,000	1,294,000	(4,000)	4,370,000	-
Total governmental activity long-term liabilities.....	<u>\$ 72,052,901</u>	<u>\$ 4,790,036</u>	<u>\$ (10,651,971)</u>	<u>\$ 66,190,966</u>	<u>\$ 7,028,841</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds and Notes.....	\$ 29,851,101	-	\$ (2,779,066)	\$ 27,072,035	\$ 2,766,149
Compensated Absences.....	381,000	136,000	(120,000)	397,000	-
Total business-type activity long-term liabilities.....	<u>\$ 30,232,101</u>	<u>\$ 136,000</u>	<u>\$ (2,899,066)</u>	<u>\$ 27,469,035</u>	<u>\$ 2,766,149</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. At fiscal year end, internal service fund accrued liabilities for workers' compensation of \$521,000 is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 8 – 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 Town participates in premium-based health care plans for its active employees and retirees. The Town is self-insured for its workers' compensation and unemployment compensation activities. Settlements have not exceeded coverage for each of the past three fiscal years. The workers' compensation activities are accounted for in the Town's internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. The incurred but not reported liability related to unemployment claims is immaterial and therefore not recorded.

(a) *Workers' Compensation*

The Town participates in a Retrospective Rating Plan for which the Town employs a third party administrator. Workers' compensation claims are administered by the third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2006, the amount of the liability for workers' compensation claims totaled \$521,000. Changes in the reported liability since July 1, 2004, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2005.....	\$ 291,000	\$ 260,000	\$ (142,000)	\$ 409,000
Fiscal Year 2006.....	409,000	191,036	(79,036)	521,000

**NOTE 9 - PENSION PLAN**

*Plan Description* - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,812,000 for the fiscal year ended June 30, 2006, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

At December 31, 2005, the System's membership consists of the following:

Active members.....	764
Inactive members.....	100
Disabled members.....	42
Retirees and beneficiaries currently receiving benefits.....	<u>314</u>
 Total.....	 <u><u>1220</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 99%, 99% and 98%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

*Annual Pension Cost* - The Town's contributions to the System for the fiscal years ended June 30, 2006, 2005, and 2004 were \$3,908,863, \$3,545,055, and \$3,575,130, respectively, which equaled its required contribution for each fiscal year. At June 30, 2006, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.5% investment rate of return and projected salary increases of 6.0% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2006, was 18 years. The System is scheduled to be fully funded by 2024 which is prior to the MGL requirement of full funding by fiscal 2028. The Town's funded rate was 78.1%.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/04	\$ 81,431	\$ 104,232	\$ 22,801	78.1%	\$ 29,805	76.5%
01/01/01	69,752	86,928	17,176	80.2%	24,596	69.8%
01/01/99	59,350	76,915	17,565	77.2%	21,631	81.2%
01/01/98	48,768	71,164	22,396	68.5%	20,700	108.2%
01/01/95	25,634	47,529	21,895	53.9%	14,390	152.2%
01/01/92	20,932	38,731	17,799	54.0%	14,301	124.5%

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

**NOTE 10 – 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 \$4,370,000 as the estimate of the landfill closure liability at June 30, 2006, 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 11 – COMMITMENTS**

The Town of Andover, at present, has a limited number of contractual obligations. The most significant of these was a 20 year contract with Wheelabrator North Andover, Inc. (WNA) for the disposal of solid waste at WNA's waste-to-energy facility in North Andover which ended on September 25, 2005. Andover was one of twenty three communities that comprised the Northeast Solid Waste Committee (NESWC) which used the facility to dispose of their municipal solid waste. NESWC has since negotiated a "pass-through" disposal agreement for 21 of the 23 communities to allow them to continue to dispose of their municipal waste from the end of the twenty year contract through June 30, 2010. Since the facility is completely paid for now, there are no longer any debt payments to be added to the "Tip Fee" (cost to process the waste) so the actual Tip Fee that the communities will pay in the pass-through agreement will be substantially lower. The pass-through agreement also does not contain any "Guaranteed Annual Tonnage" requirements (formally know as GAT), so the communities will pay only the actual tons they deliver to the facility.

The Town has contracted with Allied Waste (formerly BFI) for refuse collection and hauling and is in the fourth year of a five year contract. The fiscal year 2007 cost to the Town under the Allied contract is approximately \$833,000.

The Town has contracted with Waste Management (WMI) for recycling collection and hauling and is in the fourth year of a five year contract. The fiscal year 2007 cost to the Town under the WMI contract is approximately \$381,000.

The Town has entered, or is planning to enter, into contracts totaling approximately \$6.5 million to renovate the water treatment facility and has expended approximately \$1.2 million to-date.

The Town has entered into, or is planning to enter into, contracts totaling approximately \$1.4 million for the construction of the new sewerage system.

#### **NOTE 12 - CONTINGENCIES**

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2006, 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, 2006, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2006.

**NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2006, the following GASB pronouncements were implemented:

The GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This pronouncement did not impact the basic financial statements.

The GASB issued Statement # 46, Net Assets Restricted by Legislation an amendment of GASB Statement No. 34. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This pronouncement did not impact the basic financial statements.

The GASB issued Statement # 47, Accounting for Termination Benefits. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues which is required to be implemented in FY2008. Management has elected to implement this GASB early. This pronouncement did not impact the basic financial statements.

*Other Future GASB Pronouncements:*

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

# ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 85,154,890	\$ 85,154,890	\$ 85,196,683	\$ -	\$ 41,793
Tax liens.....	-	-	86,449	-	86,449
Motor vehicle excise taxes.....	4,666,000	4,666,000	5,000,633	-	334,633
Hotel/motel tax.....	764,000	764,000	713,732	-	(50,268)
Penalties and interest on taxes.....	335,000	335,000	279,901	-	(55,099)
Licenses and permits.....	2,000,000	2,000,000	1,781,912	-	(218,088)
Intergovernmental.....	10,026,593	10,026,593	10,325,112	-	298,519
Departmental and other.....	2,445,913	2,470,676	2,405,981	-	(64,695)
Investment income.....	387,000	387,000	870,581	-	483,581
<b>TOTAL REVENUES.....</b>	<b>105,779,396</b>	<b>105,804,159</b>	<b>106,660,984</b>	<b>-</b>	<b>856,825</b>
<b>EXPENDITURES:</b>					
Current:					
General government:					
Personal services.....	2,093,846	2,572,846	2,071,150	501,696	-
Other expenses.....	2,036,072	1,219,734	1,135,395	65,597	18,742
<b>TOTAL.....</b>	<b>4,129,918</b>	<b>3,792,580</b>	<b>3,206,545</b>	<b>567,293</b>	<b>18,742</b>
Public safety:					
Personal services.....	11,332,761	11,242,761	11,094,412	148,000	349
Other expenses.....	1,000,426	1,200,526	1,068,056	70,441	62,029
<b>TOTAL.....</b>	<b>12,333,187</b>	<b>12,443,287</b>	<b>12,162,468</b>	<b>218,441</b>	<b>62,378</b>
Education:					
Personal services.....	41,013,788	40,878,123	40,869,110	9,000	13
Other expenses.....	11,044,007	11,367,885	10,912,281	453,418	2,186
<b>TOTAL.....</b>	<b>52,057,795</b>	<b>52,246,008</b>	<b>51,781,391</b>	<b>462,418</b>	<b>2,199</b>
Public works:					
Personal services.....	1,560,881	1,544,481	1,600,944	-	(56,463)
Other expenses.....	3,730,917	3,816,117	3,395,749	238,798	181,570
<b>TOTAL.....</b>	<b>5,291,798</b>	<b>5,360,598</b>	<b>4,996,693</b>	<b>238,798</b>	<b>125,107</b>
Plant and facilities:					
Personal services.....	2,878,317	2,856,717	2,852,856	3,800	61
Other expenses.....	1,481,347	1,561,647	1,271,516	287,772	2,359
<b>TOTAL.....</b>	<b>4,359,664</b>	<b>4,418,364</b>	<b>4,124,372</b>	<b>291,572</b>	<b>2,420</b>
Community development:					
Personal services.....	1,309,113	1,295,813	1,294,101	1,700	12
Other expenses.....	68,280	135,353	112,790	5,089	17,474
<b>TOTAL.....</b>	<b>1,377,393</b>	<b>1,431,166</b>	<b>1,406,891</b>	<b>6,789</b>	<b>17,486</b>
Community services:					
Personal services.....	1,315,776	1,304,027	1,208,049	20,000	75,978
Other expenses.....	425,207	455,521	426,297	20,523	8,701
<b>TOTAL.....</b>	<b>1,740,983</b>	<b>1,759,548</b>	<b>1,634,346</b>	<b>40,523</b>	<b>84,679</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Original Budget	Final Budget			
Library:					
Personal services.....	1,889,266	1,867,766	1,861,758	6,000	8
Other expenses.....	528,958	586,857	563,100	23,737	20
TOTAL.....	2,418,224	2,454,623	2,424,858	29,737	28
Pension benefits.....	3,961,248	3,961,248	3,961,248	-	-
Property and liability insurance.....	761,134	761,134	744,326	3,000	13,808
Employee benefits.....	9,347,000	9,597,000	9,597,000	-	-
State and county charges.....	1,986,283	1,986,283	1,982,311	-	3,972
Debt service:					
Principal.....	5,590,934	5,590,934	5,590,934	-	-
Interest.....	2,469,184	2,469,184	2,417,514	2,000	49,670
TOTAL EXPENDITURES.....	107,824,745	108,271,957	106,030,897	1,860,571	380,489
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES...	(2,045,349)	(2,467,798)	630,087	(1,860,571)	1,237,314
<b>OTHER FINANCING SOURCES (USES):</b>					
Final distribution from NESWC joint venture.....	-	-	3,610,287	-	3,610,287
Transfers in.....	1,888,163	1,888,163	1,907,815	-	19,652
Transfers out.....	(2,077,000)	(3,015,000)	(3,015,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(188,837)	(1,126,837)	2,503,102	-	3,629,939
NET CHANGE IN FUND BALANCE.....	(2,234,186)	(3,594,635)	3,133,189	(1,860,571)	4,867,253
BUDGETARY FUND BALANCE, Beginning of year.....	6,247,484	6,247,484	6,247,484	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 4,013,298	\$ 2,652,849	\$ 9,380,673	\$ (1,860,571)	\$ 4,867,253

See notes to required supplementary information.

(Concluded)

**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. The Board, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2006 approved budget authorized approximately \$109,902,000 in appropriations and other amounts to be raised. During fiscal year 2006, the Board also approved supplemental appropriations totaling approximately \$1,385,000.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2006, is presented below:

Net change in fund balance - budgetary basis.....	\$ 3,133,189
<u>Perspective difference:</u>	
Net change in recording investment in joint venture.....	(3,069,000)
<u>Basis of accounting differences:</u>	
Net change in recoding tax refunds payable.....	36,832
Net change in liabilities.....	7,503
Net change in recording short-term interest accrual.....	9,263
Net change in recording accrued payroll.....	88,590
Recognition of revenue for on-behalf payments.....	7,811,748
Recognition of expenditures for on-behalf payments.....	<u>(7,811,748)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 206,377</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2006, public works expenditures exceeded appropriations. A portion of this over-expenditure will be funded with grant proceeds and the remainder will be raised on the subsequent years' tax recapitulation.

# ***Combining Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

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

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

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

*Stabilization* – This fund is used to account for the accumulation of resources to provide general and/or capital reserves.

*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.

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

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

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

*Public Safety Projects* – This fund is used to account for major public safety 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* – 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.

This page intentionally left blank.

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2006

<i>Special Revenue Funds</i>					
<b>ASSETS</b>	Town Grants/ Other Revolving	School Grants/ Other Revolving	Stabilization	School Lunch	Sub-total
Cash and cash equivalents.....	\$ 3,391,688	\$ 570,918	\$ 129,469	\$ 242,717	\$ 4,334,792
Investments.....	1,188,092	-	863,607	-	2,051,699
Departmental and other.....	155,925	-	-	-	155,925
Intergovernmental.....	2,071,632	-	-	-	2,071,632
<b>TOTAL ASSETS.....</b>	<b>\$ 6,807,337</b>	<b>\$ 570,918</b>	<b>\$ 993,076</b>	<b>\$ 242,717</b>	<b>\$ 8,614,048</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 57,311	\$ 19,469	\$ -	\$ 6,843	\$ 83,623
Accrued payroll.....	67,869	63,262	-	-	131,131
Deferred revenues.....	2,227,557	-	-	-	2,227,557
Notes payable.....	-	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>2,352,737</b>	<b>82,731</b>	<b>-</b>	<b>6,843</b>	<b>2,442,311</b>
<b>FUND BALANCES:</b>					
Unreserved:					
Special revenue funds.....	4,454,600	488,187	993,076	235,874	6,171,737
Capital projects funds.....	-	-	-	-	-
Permanent funds.....	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>4,454,600</b>	<b>488,187</b>	<b>993,076</b>	<b>235,874</b>	<b>6,171,737</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 6,807,337</b>	<b>\$ 570,918</b>	<b>\$ 993,076</b>	<b>\$ 242,717</b>	<b>\$ 8,614,048</b>

**Capital Project Funds**

Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Public Safety	Other	Sub-total
\$ 808,977	\$ 914,839	\$ 7,514	\$ 813,574	\$ 6,839	\$ 1,232,301	\$ 3,784,044
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 808,977</u>	<u>\$ 914,839</u>	<u>\$ 7,514</u>	<u>\$ 813,574</u>	<u>\$ 6,839</u>	<u>\$ 1,232,301</u>	<u>\$ 3,784,044</u>
\$ 8,243	\$ 64,758	\$ 5,500	\$ 5,425	\$ -	\$ 67,715	\$ 151,641
-	-	-	-	-	277	277
-	-	-	-	-	-	-
1,200,000	435,000	-	-	-	250,000	1,885,000
<u>1,208,243</u>	<u>499,758</u>	<u>5,500</u>	<u>5,425</u>	<u>-</u>	<u>317,992</u>	<u>2,036,918</u>
-	-	-	-	-	-	-
(399,266)	415,081	2,014	808,149	6,839	914,309	1,747,126
-	-	-	-	-	-	-
<u>(399,266)</u>	<u>415,081</u>	<u>2,014</u>	<u>808,149</u>	<u>6,839</u>	<u>914,309</u>	<u>1,747,126</u>
<u>\$ 808,977</u>	<u>\$ 914,839</u>	<u>\$ 7,514</u>	<u>\$ 813,574</u>	<u>\$ 6,839</u>	<u>\$ 1,232,301</u>	<u>\$ 3,784,044</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2006

ASSETS	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
Cash and cash equivalents.....	\$ 907,179	\$ 8,036	\$ 118,174	\$ 1,033,389	\$ 9,152,225
Investments.....	33,709	53,607	511,137	598,453	2,650,152
Departmental and other.....	-	-	-	-	155,925
Intergovernmental.....	-	-	-	-	2,071,632
<b>TOTAL ASSETS.....</b>	<b>\$ 940,888</b>	<b>\$ 61,643</b>	<b>\$ 629,311</b>	<b>\$ 1,631,842</b>	<b>\$ 14,029,934</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ -	\$ -	\$ -	\$ -	\$ 235,264
Accrued payroll.....	-	-	-	-	131,408
Deferred revenues.....	-	-	-	-	2,227,557
Notes payable.....	-	-	-	-	1,885,000
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,479,229</b>
<b>FUND BALANCES:</b>					
Unreserved:					
Special revenue funds.....	-	-	-	-	6,171,737
Capital projects funds.....	-	-	-	-	1,747,126
Permanent funds.....	940,888	61,643	629,311	1,631,842	1,631,842
<b>TOTAL FUND BALANCES.....</b>	<b>940,888</b>	<b>61,643</b>	<b>629,311</b>	<b>1,631,842</b>	<b>9,550,705</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 940,888</b>	<b>\$ 61,643</b>	<b>\$ 629,311</b>	<b>\$ 1,631,842</b>	<b>\$ 14,029,934</b>

(Concluded)

This page intentionally left blank.

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

FISCAL YEAR ENDED JUNE 30, 2006

*Special Revenue Funds*

	Town Grants/ Other Revolving	School Grants/ Other Revolving	Stabilization	School Lunch	Sub-total
<b>REVENUES:</b>					
Intergovernmental.....	\$ 848,253	\$ 3,112,514	\$ -	\$ 168,285	\$ 4,129,052
Departmental and other.....	3,785,367	779,943	-	929,548	5,494,858
Contributions.....	2,692	-	-	-	2,692
Investment income.....	15,218	-	5,600	-	20,818
<b>TOTAL REVENUES.....</b>	<b>4,651,530</b>	<b>3,892,457</b>	<b>5,600</b>	<b>1,097,833</b>	<b>9,647,420</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	79,107	-	-	-	79,107
Public safety.....	1,597,586	946	-	-	1,598,532
Education.....	1,083,441	4,100,424	-	1,214,210	6,398,075
Public works.....	374,610	-	-	-	374,610
Plant and facilities.....	61,275	-	-	-	61,275
Community development.....	90,248	-	-	-	90,248
Human services.....	629,297	-	-	-	629,297
Library.....	100,998	-	-	-	100,998
Pension benefits.....	1,284	-	-	-	1,284
Employee benefits.....	304,817	-	-	-	304,817
Capital outlay.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>4,322,663</b>	<b>4,101,370</b>	<b>-</b>	<b>1,214,210</b>	<b>9,638,243</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>328,867</b>	<b>(208,913)</b>	<b>5,600</b>	<b>(116,377)</b>	<b>9,177</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	-	-
Transfers in.....	835,057	-	500,000	-	1,335,057
Transfers out.....	(735,644)	(150,000)	-	-	(885,644)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>99,413</b>	<b>(150,000)</b>	<b>500,000</b>	<b>-</b>	<b>449,413</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>428,280</b>	<b>(358,913)</b>	<b>505,600</b>	<b>(116,377)</b>	<b>458,590</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>4,026,320</b>	<b>847,100</b>	<b>487,476</b>	<b>352,251</b>	<b>5,713,147</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 4,454,600</b>	<b>\$ 488,187</b>	<b>\$ 993,076</b>	<b>\$ 235,874</b>	<b>\$ 6,171,737</b>



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

FISCAL YEAR ENDED JUNE 30, 2006

	<i>Permanent Funds</i>				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Sub-total	
<b>REVENUES:</b>					
Intergovernmental.....	\$ -	\$ -	\$ -	\$ -	\$ 4,129,052
Departmental and other.....	-	-	-	-	5,494,858
Contributions.....	23,360	-	-	23,360	26,052
Investment income.....	31,872	677	7,947	40,496	61,314
<b>TOTAL REVENUES.....</b>	<b>55,232</b>	<b>677</b>	<b>7,947</b>	<b>63,856</b>	<b>9,711,276</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	79,107
Public safety.....	-	-	-	-	1,598,532
Education.....	-	-	-	-	6,398,075
Public works.....	1,515	-	-	1,515	376,125
Plant and facilities.....	-	-	-	-	61,275
Community development.....	-	-	-	-	90,248
Human services.....	-	-	1,800	1,800	631,097
Library.....	15	-	27,873	27,888	128,886
Pension benefits.....	-	-	-	-	1,284
Employee benefits.....	-	-	-	-	304,817
Capital outlay.....	-	-	-	-	6,707,917
<b>TOTAL EXPENDITURES.....</b>	<b>1,530</b>	<b>-</b>	<b>29,673</b>	<b>31,203</b>	<b>16,377,363</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>53,702</b>	<b>677</b>	<b>(21,726)</b>	<b>32,653</b>	<b>(6,666,087)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	-	2,208,000
Transfers in.....	-	-	-	-	4,886,372
Transfers out.....	(10,000)	-	-	(10,000)	(1,719,083)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>5,375,289</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>43,702</b>	<b>677</b>	<b>(21,726)</b>	<b>22,653</b>	<b>(1,290,798)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>897,186</b>	<b>60,966</b>	<b>651,037</b>	<b>1,609,189</b>	<b>10,841,503</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 940,888</b>	<b>\$ 61,643</b>	<b>\$ 629,311</b>	<b>\$ 1,631,842</b>	<b>\$ 9,550,705</b>

(Concluded)

# ***Internal Service Funds***

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

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

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

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

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

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

JUNE 30, 2006

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>					
CURRENT:					
Cash and cash equivalents.....	\$ 229,060	\$ 121,756	\$ 61,379	\$ 87,739	\$ 499,934
Working capital deposit.....	-	-	185,600	-	185,600
<b>TOTAL ASSETS.....</b>	<b>229,060</b>	<b>121,756</b>	<b>246,979</b>	<b>87,739</b>	<b>685,534</b>
<b>LIABILITIES</b>					
CURRENT:					
Workers' compensation.....	-	-	-	138,000	138,000
NONCURRENT:					
Workers' compensation.....	-	-	-	383,000	383,000
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>521,000</b>	<b>521,000</b>
<b>NET ASSETS</b>					
Unrestricted.....	\$ <u>229,060</u>	\$ <u>121,756</u>	\$ <u>246,979</u>	\$ <u>(433,261)</u>	\$ <u>164,534</u>

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

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
<b><u>OPERATING REVENUES:</u></b>					
Employee contributions .....	\$ -	\$ -	\$ 3,364,550	\$ -	\$ 3,364,550
Employer contributions .....	-	-	9,597,000	85,000	9,682,000
<b>TOTAL OPERATING REVENUES .....</b>	<b>-</b>	<b>-</b>	<b>12,961,550</b>	<b>85,000</b>	<b>13,046,550</b>
<b><u>OPERATING EXPENSES:</u></b>					
Employee benefits .....	-	94,874	12,979,584	191,036	13,265,494
<b>OPERATING INCOME (LOSS).....</b>	<b>-</b>	<b>(94,874)</b>	<b>(18,034)</b>	<b>(106,036)</b>	<b>(218,944)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>					
Investment income.....	9,367	6,909	23,249	-	39,525
<b>CHANGE IN NET ASSETS.....</b>	<b>9,367</b>	<b>(87,965)</b>	<b>5,215</b>	<b>(106,036)</b>	<b>(179,419)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>219,693</b>	<b>209,721</b>	<b>241,764</b>	<b>(327,225)</b>	<b>343,953</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 229,060</b>	<b>\$ 121,756</b>	<b>\$ 246,979</b>	<b>\$ (433,261)</b>	<b>\$ 164,534</b>

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

FISCAL YEAR ENDED JUNE 30, 2006

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ -	\$ -	\$ 3,364,550	\$ -	\$ 3,364,550
Receipts from interfund services provided.....	-	-	9,597,000	85,000	9,682,000
Payments to employees.....	-	-	(58,046)	-	(58,046)
Payments for interfund services used.....	-	(94,874)	(13,022,137)	(79,036)	(13,196,047)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>-</b>	<b>(94,874)</b>	<b>(118,633)</b>	<b>5,964</b>	<b>(207,543)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income.....	9,367	6,909	23,249	-	39,525
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>9,367</b>	<b>(87,965)</b>	<b>(95,384)</b>	<b>5,964</b>	<b>(168,018)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	219,693	209,721	156,763	81,775	667,952
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 229,060	\$ 121,756	\$ 61,379	\$ 87,739	\$ 499,934
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ -	\$ (94,874)	\$ (18,034)	\$ (106,036)	\$ (218,944)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Working capital deposit.....	-	-	107,300	-	107,300
Warrants payable.....	-	-	(1,899)	-	(1,899)
Health claims payable.....	-	-	(206,000)	-	(206,000)
Workers' compensation.....	-	-	-	112,000	112,000
Total adjustments.....	-	-	(100,599)	112,000	11,401
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>-</b>	<b>(94,874)</b>	<b>(118,633)</b>	<b>5,964</b>	<b>(207,543)</b>

# ***Agency Fund***

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

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

JUNE 30, 2006

	Beginning of Year	Additions	Deletions	End of Year
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 376,852	\$ 427,407	\$ (551,319)	\$ 252,940
Investments.....	17,835	-	(2,150)	15,685
<b>TOTAL ASSETS.....</b>	<b>\$ 394,687</b>	<b>\$ 427,407</b>	<b>\$ (553,469)</b>	<b>\$ 268,625</b>
<b>LIABILITIES</b>				
Guarantee deposits.....	\$ 51,293	\$ 130	-	\$ 51,423
Other deposits.....	11,084	127	-	11,211
Merrimack Valley Library Consortium.....	332,310	425,000	(551,319)	205,991
<b>TOTAL LIABILITIES.....</b>	<b>\$ 394,687</b>	<b>\$ 425,257</b>	<b>\$ (551,319)</b>	<b>\$ 268,625</b>

# ***Statistical Section***



# ***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 City'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. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**Net Assets By Component**

**Last Four Fiscal Years**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt.....	\$ 73,686,298	\$ 89,679,889	\$ 91,145,822	\$ 89,418,470
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029
Unrestricted.....	<u>10,133,275</u>	<u>12,351,114</u>	<u>9,873,633</u>	<u>12,307,988</u>
Total governmental activities net assets.....	<u>\$ 89,039,534</u>	<u>\$ 105,669,033</u>	<u>\$ 105,445,842</u>	<u>\$ 105,758,487</u>
Business-type activities				
Invested in capital assets, net of related debt.....	43,348,130	46,387,305	46,027,798	44,383,954
Unrestricted.....	<u>12,903,877</u>	<u>10,528,648</u>	<u>13,264,116</u>	<u>15,604,638</u>
Total business-type activities net assets.....	<u>\$ 56,252,007</u>	<u>\$ 56,915,953</u>	<u>\$ 59,291,914</u>	<u>\$ 59,988,592</u>
Primary government				
Invested in capital assets, net of related debt.....	117,034,428	136,067,194	137,173,620	133,802,424
Restricted.....	5,219,961	3,638,030	4,426,387	4,032,029
Unrestricted.....	<u>23,037,152</u>	<u>22,879,762</u>	<u>23,137,749</u>	<u>27,912,626</u>
Total primary government net assets.....	<u>\$ 145,291,541</u>	<u>\$ 162,584,986</u>	<u>\$ 164,737,756</u>	<u>\$ 165,747,079</u>

**Changes in Net Assets**

**Last Four Fiscal Years**

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government.....	\$ 4,216,224	\$ 4,598,138	\$ 4,350,415	\$ 4,450,036
Public safety.....	16,426,508	16,675,121	17,246,901	17,782,178
Education.....	65,118,057	67,227,226	72,624,199	79,034,278
Public works.....	8,434,701	7,768,193	9,038,654	7,405,556
Plant and facilities.....	6,298,425	6,595,195	5,663,229	5,971,059
Community development.....	1,654,816	1,786,677	1,766,512	1,920,879
Community services.....	2,867,018	2,797,537	2,806,626	2,833,581
Library.....	3,125,588	3,447,297	3,326,096	3,433,876
Interest.....	3,228,511	2,953,651	3,028,040	2,569,615
Total government activities expenses.....	<u>111,369,848</u>	<u>113,849,035</u>	<u>119,850,672</u>	<u>125,401,058</u>
Business-type activities:				
Sewer.....	2,850,949	3,114,483	3,418,402	3,920,303
Water.....	4,938,649	5,180,484	5,279,568	5,522,811
Total primary government expenses.....	<u>\$ 119,159,446</u>	<u>\$ 122,144,002</u>	<u>\$ 128,548,642</u>	<u>\$ 134,844,172</u>
<b>Program Revenues</b>				
Governmental activities:				
Public safety charges for services.....	\$ 3,307,838	\$ 3,601,991	\$ 5,047,096	\$ 4,173,141
Education charges for services.....	2,435,502	2,631,861	3,221,619	3,303,391
Other charges for services.....	1,969,503	2,232,896	2,217,961	2,459,937
Education operating grants and contributions.....	13,649,175	14,287,070	16,723,671	16,421,600
Other operating grants and contributions.....	2,124,490	1,701,550	1,592,768	2,054,108
Education capital grant and contributions.....	-	17,800,725	211,662	63,731
Public works capital grant and contributions.....	674,243	1,022,245	601,504	826,869
Total government activities program revenues.....	<u>24,160,751</u>	<u>43,278,338</u>	<u>29,616,281</u>	<u>29,302,777</u>
Business-type activities:				
Sewer charges for services.....	2,839,609	3,125,887	3,287,453	3,200,763
Water charges for services.....	6,146,648	5,466,703	5,948,163	6,135,750
Other capital grant and contributions.....	3,740,314	1,436,501	3,270,890	2,706,471
Total business-type activities program revenues.....	<u>12,726,571</u>	<u>10,029,091</u>	<u>12,506,506</u>	<u>12,042,984</u>
Total primary government program revenues.....	<u>\$ 36,887,322</u>	<u>\$ 53,307,429</u>	<u>\$ 42,122,787</u>	<u>\$ 41,345,761</u>
<b>Net (Expense)/Program Revenue</b>				
Governmental activities.....	\$ (87,209,097)	\$ (70,570,697)	\$ (90,234,391)	\$ (96,098,281)
Business-type activities.....	<u>4,936,973</u>	<u>1,734,124</u>	<u>3,808,536</u>	<u>2,599,870</u>
Total primary government net (expense)/program revenue.....	<u>\$ (82,272,124)</u>	<u>\$ (68,836,573)</u>	<u>\$ (86,425,855)</u>	<u>\$ (93,498,411)</u>
<b>General Revenues and other Changes in Net Assets</b>				
Governmental activities:				
Real estate and personal property taxes, net of tax refunds payable.....	\$ 74,916,769	\$ 78,018,623	\$ 80,128,940	\$ 85,467,543
Tax liens.....	217,181	156,432	169,769	137,894
Motor vehicle excise taxes.....	4,761,307	4,449,959	4,695,077	4,737,214
Hotel/motel tax	862,883	709,595	777,164	702,732
Penalties and interest on taxes.....	721,105	265,747	335,008	279,901
Grants and contributions not restricted to specific programs.....	1,845,728	1,704,378	1,857,933	2,016,691
Unrestricted investment income.....	368,581	369,542	493,590	955,407
Miscellaneous.....	267,683	400,871	75,167	53,440
Transfers.....	1,189,862	1,125,049	1,478,552	2,060,104
Total governmental activities.....	<u>85,151,099</u>	<u>87,200,196</u>	<u>90,011,200</u>	<u>96,410,926</u>
Business-type activities:				
Unrestricted investment income.....	99,828	54,871	45,977	156,912
Transfers.....	(1,189,862)	(1,125,049)	(1,478,552)	(2,060,104)
Total primary government general revenues and other changes in net assets.....	<u>\$ 84,061,065</u>	<u>\$ 86,130,018</u>	<u>\$ 88,578,625</u>	<u>\$ 94,507,734</u>
<b>Changes in Net Assets</b>				
Governmental activities.....	\$ (2,057,998)	\$ 16,629,499	\$ (223,191)	\$ 312,645
Business-type activities.....	<u>3,846,939</u>	<u>663,946</u>	<u>2,375,961</u>	<u>696,678</u>
Total primary government changes in net assets.....	<u>\$ 1,788,941</u>	<u>\$ 17,293,445</u>	<u>\$ 2,152,770</u>	<u>\$ 1,009,323</u>

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Fund</b>										
Reserved.....	\$ 2,341,239	\$ 2,383,540	\$ 2,633,488	\$ 2,442,090	\$ 2,216,572	\$ 3,151,400	\$ 2,914,009	\$ 2,278,232	\$ 1,436,861	\$ 1,860,571
Unreserved.....	6,543,266	8,311,606	8,211,845	9,315,244	9,901,651	10,309,240	10,891,580	8,500,140	7,747,231	7,529,898
<b>Total general fund.....</b>	<b>\$ 8,884,505</b>	<b>\$ 10,695,146</b>	<b>\$ 10,845,333</b>	<b>\$ 11,757,334</b>	<b>\$ 12,118,223</b>	<b>\$ 13,460,640</b>	<b>\$ 13,805,589</b>	<b>\$ 10,778,372</b>	<b>\$ 9,184,092</b>	<b>\$ 9,390,469</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 700,821	\$ 692,942	\$ 1,246,997	\$ 1,268,238
Unreserved, reported in:										
Special revenue funds.....	846,450	1,045,265	1,058,654	1,696,011	1,856,036	2,131,629	4,519,551	5,415,564	5,864,877	6,171,737
Capital projects funds.....	5,837,640	1,212,752	9,780,296	9,648,929	7,829,724	(10,724,512)	5,978,934	3,636,212	3,519,167	1,747,126
Permanent funds.....	-	-	-	-	-	-	463,273	413,250	210,462	363,604
<b>Total all other governmental funds.....</b>	<b>\$ 6,684,090</b>	<b>\$ 2,258,017</b>	<b>\$ 10,838,950</b>	<b>\$ 11,344,940</b>	<b>\$ 9,685,760</b>	<b>\$ (8,592,883)</b>	<b>\$ 11,662,579</b>	<b>\$ 10,157,968</b>	<b>\$ 10,841,503</b>	<b>\$ 9,550,705</b>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 51,776,693	\$ 54,322,655	\$ 57,536,860	\$ 61,312,434	\$ 63,880,049	\$ 69,135,669	\$ 74,726,196	\$ 77,761,654	\$ 80,108,798	\$ 85,233,515
Motor vehicle and other excise taxes.....	3,844,208	4,737,031	4,491,905	4,739,915	5,435,383	5,419,022	5,429,993	5,074,722	5,430,809	5,714,365
Intergovernmental.....	7,963,216	10,239,788	10,974,118	16,872,914	18,576,239	18,664,283	19,337,587	19,645,202	36,257,799	26,111,912
Departmental and other.....	5,757,209	5,707,816	6,517,786	6,155,666	7,441,550	7,201,620	9,156,513	9,358,532	11,228,315	10,075,153
Interest income.....	748,005	855,975	943,410	1,126,103	1,473,335	1,126,066	403,057	466,366	437,745	931,895
<b>Total Revenue.....</b>	<b>70,089,331</b>	<b>75,863,265</b>	<b>80,464,079</b>	<b>90,207,032</b>	<b>96,806,556</b>	<b>101,546,660</b>	<b>109,053,346</b>	<b>112,306,476</b>	<b>133,463,466</b>	<b>128,066,840</b>
<b>Expenditures:</b>										
General government.....	2,257,736	2,629,887	2,256,257	2,591,165	2,957,168	2,600,064	3,096,437	3,433,588	3,311,006	3,276,951
Public safety.....	9,439,692	10,095,964	9,719,895	10,790,875	11,737,349	12,033,824	13,128,148	13,515,766	13,597,144	13,682,564
Education.....	30,823,873	33,239,888	36,097,112	39,102,141	42,421,926	46,399,812	51,048,622	51,455,597	54,347,628	58,172,138
Public works.....	4,450,726	4,401,181	5,975,977	4,877,578	6,735,312	5,426,850	6,280,433	6,966,509	6,856,259	4,812,153
Plant and facilities.....	4,203,920	4,061,623	4,943,928	4,983,004	5,772,848	5,826,345	5,608,033	5,869,539	4,608,092	4,222,181
Community development.....	1,003,926	1,145,463	1,133,077	1,098,615	1,347,435	1,331,536	1,357,957	1,475,760	1,419,416	1,492,217
Community services.....	1,085,583	1,535,125	1,756,881	1,830,790	2,118,012	2,162,665	2,261,837	2,305,595	2,186,935	2,258,001
Library.....	1,735,197	2,076,086	1,991,490	1,984,867	2,464,018	2,477,328	2,328,796	2,553,941	2,431,694	2,547,324
Pension benefits.....	2,719,316	2,770,950	3,051,170	8,275,761	8,686,244	8,522,848	8,854,044	9,537,132	10,594,568	11,774,280
Property and liability insurance.....	437,588	498,265	496,049	593,513	527,958	541,800	504,963	795,879	834,889	744,326
Employee benefits.....	3,325,000	3,659,596	3,625,000	3,589,016	3,735,311	4,229,172	6,139,400	7,625,000	8,732,646	9,901,817
State and county charges.....	985,692	1,015,466	982,643	980,904	1,094,215	1,227,461	1,363,260	1,370,609	1,599,527	1,982,311
Capital outlay.....	9,602,800	10,140,588	5,455,156	5,848,367	13,039,205	38,702,914	9,373,665	6,059,724	5,275,759	6,707,917
Debt service:										
Principal.....	3,041,900	3,851,900	3,909,900	4,459,800	4,006,500	4,627,000	5,188,000	5,728,420	20,744,107	9,436,934
Interest.....	2,628,923	2,523,900	2,578,026	2,464,463	2,623,005	2,955,606	3,346,096	2,987,294	2,957,220	2,408,251
<b>Total Expenditures.....</b>	<b>77,741,872</b>	<b>83,645,882</b>	<b>83,972,561</b>	<b>93,470,859</b>	<b>109,266,506</b>	<b>139,065,225</b>	<b>119,879,691</b>	<b>121,680,353</b>	<b>139,496,890</b>	<b>133,419,365</b>
Excess of revenues over (under) expenditures.....	(7,652,541)	(7,782,617)	(3,508,482)	(3,263,827)	(12,459,950)	(37,518,565)	(10,826,345)	(9,373,877)	(6,033,424)	(5,352,525)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	15,500,000	4,200,000	11,230,000	4,375,000	9,675,000	19,208,000	28,938,000	3,717,000	3,500,000	2,208,000
Issuance of refunding bonds.....	-	-	-	-	-	-	13,496,223	-	7,140,205	-
Premium from issuance of bonds.....	-	-	-	-	-	-	599,313	-	79,123	-
Premium of issuance of refunding bonds.....	-	-	-	-	-	-	220,554	-	158,596	-
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	(13,583,218)	-	(7,233,797)	-
Transfers in.....	1,279,405	2,512,610	3,967,559	2,618,378	3,268,235	2,559,956	3,588,523	2,011,841	4,131,313	6,794,187
Transfers out.....	(190,806)	(1,545,425)	(2,957,957)	(2,311,560)	(1,781,576)	(1,185,620)	(2,398,661)	(886,792)	(2,652,761)	(4,734,083)
<b>Total other financing sources (uses).....</b>	<b>16,588,599</b>	<b>5,167,185</b>	<b>12,239,602</b>	<b>4,681,818</b>	<b>11,161,659</b>	<b>20,582,336</b>	<b>30,860,734</b>	<b>4,842,049</b>	<b>5,122,679</b>	<b>4,268,104</b>
<b>Net change in fund balance.....</b>	<b>\$ 8,936,058</b>	<b>\$ (2,615,432)</b>	<b>\$ 8,731,120</b>	<b>\$ 1,417,991</b>	<b>\$ (1,298,291)</b>	<b>\$ (16,936,229)</b>	<b>\$ 20,034,389</b>	<b>\$ (4,531,828)</b>	<b>\$ (910,745)</b>	<b>\$ (1,084,421)</b>
Debt service as a percentage of noncapital expenditures	8.32%	8.67%	8.26%	7.90%	6.89%	7.56%	7.72%	7.54%	7.27% (a)	6.46% (a)

**Notes:**

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

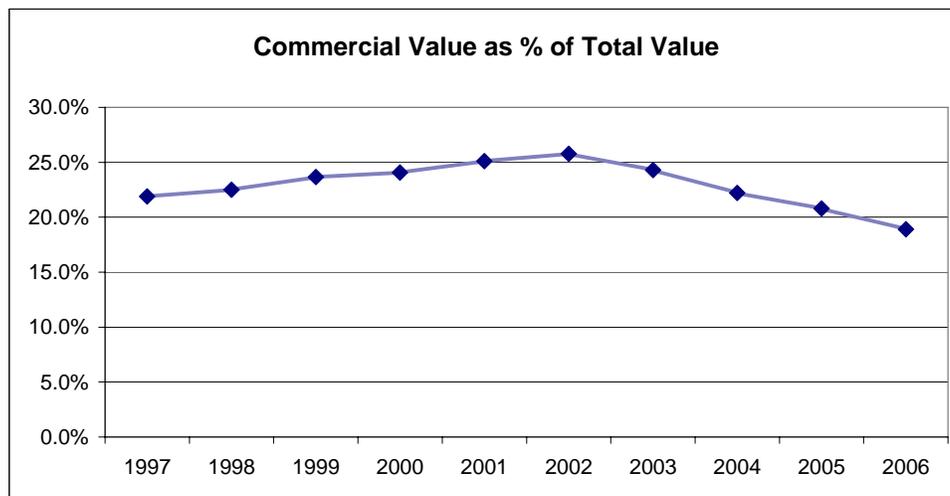
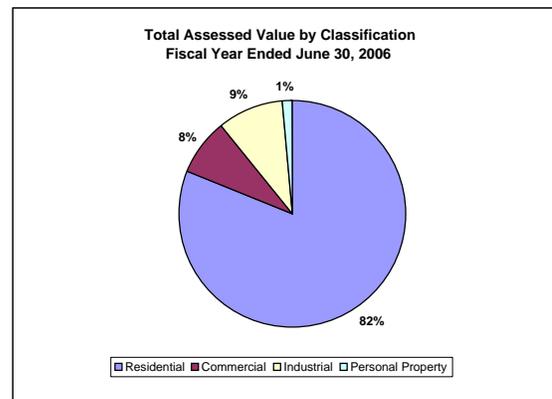
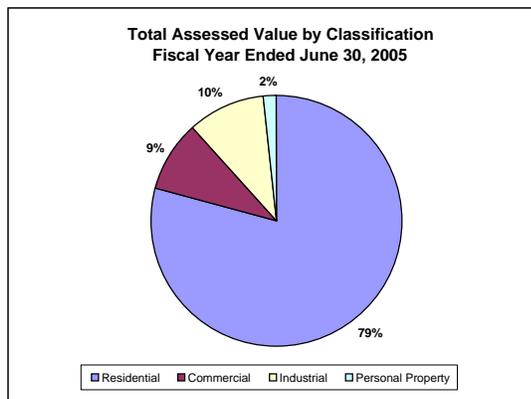
In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

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

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

**Last Ten Fiscal Years**

Fiscal Year	Assessed and Actual Values and Tax Rates							
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Town Value
1997 (1)	\$ 2,414,608,127	\$ 15.48	\$ 274,642,365	\$ 343,990,300	\$ 58,689,120	\$ 677,321,785	\$ 22.57	\$ 3,091,929,912
1998	\$ 2,445,616,947	\$ 15.82	\$ 307,371,500	\$ 338,097,400	\$ 65,035,210	\$ 710,504,110	\$ 22.90	\$ 3,156,121,057
1999	\$ 2,651,239,012	\$ 15.17	\$ 377,843,715	\$ 376,258,800	\$ 67,487,130	\$ 821,589,645	\$ 21.74	\$ 3,472,828,657
2000 (1)	\$ 2,937,428,052	\$ 14.65	\$ 421,300,980	\$ 434,895,300	\$ 73,976,860	\$ 930,173,140	\$ 20.11	\$ 3,867,601,192
2001	\$ 2,975,444,502	\$ 14.92	\$ 440,880,123	\$ 471,708,200	\$ 84,876,150	\$ 997,464,473	\$ 20.59	\$ 3,972,908,975
2002	\$ 3,337,867,183	\$ 14.13	\$ 515,652,738	\$ 549,008,500	\$ 93,565,960	\$ 1,158,227,198	\$ 19.57	\$ 4,496,094,381
2003 (1)	\$ 4,476,720,701	\$ 11.63	\$ 641,178,403	\$ 685,192,600	\$ 110,559,980	\$ 1,436,930,983	\$ 16.54	\$ 5,913,651,684
2004	\$ 4,755,952,886	\$ 11.47	\$ 586,983,115	\$ 663,066,600	\$ 107,565,301	\$ 1,357,615,016	\$ 18.13	\$ 6,113,567,902
2005	\$ 5,029,579,646	\$ 11.51	\$ 575,889,705	\$ 635,749,200	\$ 109,324,908	\$ 1,320,963,813	\$ 18.00	\$ 6,350,543,459
2006 (1)	\$ 5,519,162,801	\$ 11.40	\$ 556,557,746	\$ 635,623,100	\$ 94,200,625	\$ 1,286,381,471	\$ 17.95	\$ 6,805,544,272



(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**

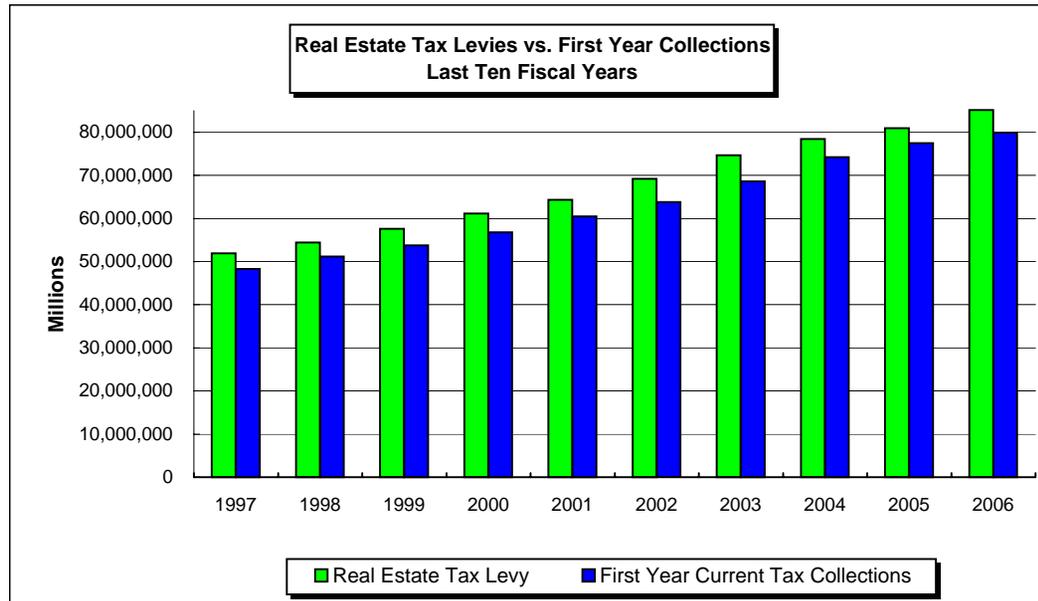
**Current Year and Nine Years Ago**

Name	Nature of Business	2006			1997		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Genetics Institute	Industrial	\$ 91,633,162	1	1.35%	\$ 21,171,400	6	0.68%
Transwestern Brickstone Square LLC (Andover Mills)	Office	\$ 67,404,200	2	0.99%	\$ 50,297,400	2	1.63%
Raytheon	Industrial	\$ 65,023,143	3	0.96%	\$ 68,785,100	1	2.22%
Philips Electro North American (Agilent) (Hewlett Packard)	Industrial	\$ 58,163,600	4	0.85%	\$ 41,465,500	3	1.34%
CA Investment Trust	Residential/Commercial	\$ 53,755,293	5	0.79%	\$ -	-	-
RREEF America REIT III Corp ZI	Office/Industrial	\$ 50,431,400	6	0.74%	\$ -	-	-
One Hundred Minuteman LLC	Industrial	\$ 39,197,600	7	0.58%	\$ -	-	-
Lincoln Park LLC (Putnam Investments)	Commercial	\$ 36,729,014	8	0.54%	\$ -	-	-
Gillette Company	Industrial	\$ 34,993,200	9	0.51%	\$ 25,971,600	5	0.84%
Andover Park Realty Trust	Industrial	\$ 30,751,400	10	0.45%	\$ -	-	-
Digital Equipment Corp	Industrial	\$ -	-	-	\$ 35,226,145	4	1.14%
Connecticut General Life Insurance of America	Commercial	\$ -	-	-	\$ 20,779,400	7	0.67%
Prudential Insurance Corp of America	Office	\$ -	-	-	\$ 19,503,800	8	0.63%
New England Telephone and Telegraph	Utility	\$ -	-	-	\$ 17,510,400	9	0.57%
Massachusetts Electric Company	Utility	\$ -	-	-	\$ 15,779,400	10	0.51%
<b>Totals</b>		<u>\$528,082,012</u>		<u>7.76%</u>	<u>\$316,490,145</u>		<u>10.24%</u>

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1997	(1)	\$ 52,665,286	\$ 779,207	\$ 51,886,079	\$ 51,157,695	98.60%	\$ 728,384	\$ 51,886,079	100.00%
1998		\$ 54,960,204	\$ 515,184	\$ 54,445,020	\$ 53,733,126	98.69%	\$ 702,539	\$ 54,435,665	99.98%
1999		\$ 58,081,474	\$ 480,809	\$ 57,600,665	\$ 56,806,965	98.62%	\$ 794,015	\$ 57,600,980	100.00%
2000	(1)	\$ 61,739,103	\$ 565,027	\$ 61,174,076	\$ 60,478,995	98.86%	\$ 695,185	\$ 61,174,180	100.00%
2001		\$ 64,931,425	\$ 612,404	\$ 64,319,021	\$ 63,769,348	99.15%	\$ 544,039	\$ 64,313,387	99.99%
2002		\$ 69,830,570	\$ 660,007	\$ 69,170,563	\$ 68,631,635	99.22%	\$ 509,729	\$ 69,141,364	99.96%
2003	(1)	\$ 75,831,100	\$ 1,148,137	\$ 74,682,963	\$ 74,224,742	99.39%	\$ 359,678	\$ 74,584,420	99.87%
2004		\$ 79,164,340	\$ 770,110	\$ 78,394,230	\$ 77,461,156	98.81%	\$ 208,870	\$ 77,670,026	99.08%
2005		\$ 81,667,810	\$ 700,105	\$ 80,967,705	\$ 79,932,648	98.72%	\$ 757,282	\$ 80,689,930	99.66%
2006	(1)	\$ 86,009,003	\$ 854,113	\$ 85,154,890	\$ 84,431,577	99.15%	\$ -	\$ 84,431,577	99.15%



(1) Revaluation year.  
 (2) Includes tax liens.

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

**Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1997	29,074	\$ 1,125,572,305	\$ 3,091,929,912	\$ 43,313,100	\$ -	\$ 1,490	3.85%	1.40%
1998	30,226	\$ 1,194,051,930	\$ 3,156,121,057	\$ 42,461,200	\$ -	\$ 1,405	3.56%	1.35%
1999	29,846	\$ 1,203,102,408	\$ 3,472,828,657	\$ 46,901,300	\$ -	\$ 1,571	3.90%	1.35%
2000	30,251	\$ 1,244,314,383	\$ 3,867,601,192	\$ 46,226,500	\$ -	\$ 1,528	3.72%	1.20%
2001	30,251	\$ 1,269,200,671	\$ 3,972,908,975	\$ 53,150,000	\$ -	\$ 1,757	4.19%	1.34%
2002	30,695	\$ 1,313,585,563	\$ 4,496,094,381	\$ 58,421,000	\$ -	\$ 1,903	4.45%	1.30%
2003	29,994	\$ 1,309,258,156	\$ 5,913,651,684	\$ 83,483,223	\$ -	\$ 2,783	6.38%	1.41%
2004	29,843	\$ 1,328,720,243	\$ 6,113,567,902	\$ 81,471,803	\$ -	\$ 2,730	6.13%	1.33%
2005	30,820	\$ 1,399,664,278	\$ 6,350,543,459	\$ 64,311,901	\$ -	\$ 2,087	4.59%	1.01%
2006	30,820	\$ 1,427,657,564	\$ 6,805,544,272	\$ 57,082,966	\$ -	\$ 1,852	4.00%	0.84%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1997	\$16,246,900	\$ -	\$59,560,000	\$2,049	5.29%	1.93%
1998	\$16,223,800	\$ -	\$58,685,000	\$1,942	4.91%	1.86%
1999	\$17,788,700	\$ -	\$64,690,000	\$2,167	5.38%	1.86%
2000	\$16,818,500	\$ -	\$63,045,000	\$2,084	5.07%	1.63%
2001	\$14,315,000	\$ -	\$67,465,000	\$2,230	5.32%	1.70%
2002	\$21,142,000	\$ -	\$79,563,000	\$2,592	6.06%	1.77%
2003	\$23,514,777	\$ -	\$106,998,000	\$3,567	8.17%	1.81%
2004	\$30,141,198	\$ -	\$111,613,001	\$3,740	8.40%	1.83%
2005	\$29,851,101	\$ -	\$94,163,002	\$3,055	6.73%	1.48%
2006	\$27,072,035	\$ -	\$84,155,001	\$2,731	5.89%	1.24%

(1) Water and Sewer Funds

Source: Audited Financial Statements, U. S. Census

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2006**

<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.....	\$ 40,455,000	0.80%	\$ 323,640
Greater Lawrence Sanitary District.....	33,449,116	6.40%	<u>2,140,743</u>
Subtotal, overlapping debt.....			<u>2,464,383</u>
Town direct debt.....			<u>84,155,001</u>
Total direct and overlapping debt.....			<u>\$ 86,619,384</u>

Source: Official Statement for Sale of Bonds

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Equalized Valuation.....	<u>\$ 3,072,063,800</u>	<u>\$ 3,523,811,700</u>	<u>\$ 3,523,811,700</u>	<u>\$ 4,268,662,500</u>	<u>\$ 4,268,662,500</u>	<u>\$ 5,589,664,700</u>	<u>\$ 5,589,664,700</u>	<u>\$ 6,525,840,900</u>	<u>\$ 6,525,840,900</u>	<u>\$ 6,525,840,900</u>
Debt Limit -5% of Equalized Valuation.....	\$ 153,603,190	\$ 176,190,585	\$ 176,190,585	\$ 213,433,125	\$ 213,433,125	\$ 279,483,235	\$ 279,483,235	\$ 326,292,045	\$ 326,292,045	\$ 326,292,045
Less:										
Outstanding debt applicable to limit.....	\$ 13,039,000	\$ 13,203,250	\$ 48,620,150	\$ 47,151,500	\$ 9,480,000	\$ 21,382,000	\$ 23,569,776	\$ 59,463,803	\$ 59,455,259	\$ 59,278,195
Authorized and unissued debt.....	<u>\$ 11,857,552</u>	<u>\$ 14,027,552</u>	<u>\$ 49,143,552</u>	<u>\$ 84,546,552</u>	<u>\$ 78,655,552</u>	<u>\$ 66,732,052</u>	<u>\$ 59,612,052</u>	<u>\$ 48,127,052</u>	<u>\$ 38,994,500</u>	<u>\$ 32,853,500</u>
Legal debt margin.....	<u>\$ 128,706,638</u>	<u>\$ 148,959,783</u>	<u>\$ 78,426,883</u>	<u>\$ 81,735,073</u>	<u>\$ 125,297,573</u>	<u>\$ 191,369,183</u>	<u>\$ 196,301,407</u>	<u>\$ 218,701,190</u>	<u>\$ 227,842,286</u>	<u>\$ 234,160,350</u>
Total debt applicable to the limit as a percentage of debt limit.....	16.21%	15.46%	55.49%	61.70%	41.29%	31.53%	29.76%	32.97%	30.17%	28.24%

**Demographic and Economic Statistics**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>
1997	29,074	\$ 1,125,572,305	\$ 38,714	n/a
1998	30,226	\$ 1,194,051,930	\$ 39,504	n/a
1999	29,846	\$ 1,203,102,408	\$ 40,310	n/a
2000	30,251	\$ 1,244,314,383	\$ 41,133	39.5
2001	30,251	\$ 1,269,200,671	\$ 41,956	39.5
2002	30,695	\$ 1,313,585,563	\$ 42,795	39.5
2003	29,994	\$ 1,309,258,156	\$ 43,651	39.5
2004	29,843	\$ 1,328,720,243	\$ 44,524	39.5
2005	30,820	\$ 1,399,664,278	\$ 45,414	39.5
2006	30,820	\$ 1,427,657,564	\$ 46,322	39.5

Source: U. S. Census, Division of Local Services  
 Median age is based on most recent census data  
 N/A Information not available.

**Principal Employers (excluding Town)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2006			1997		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	3,300	1	10%	4,800	1	17%
Internal Revenue Service	Regional Service Center	2,340	2	7%	1,813	3	6%
Philips Electronics (formerly Agilent/formerly Hewlett Packard)	Medical Electronics	2,200	3	7%	2,000	2	7%
Phillips Academy	Private School	1,186	4	4%	600	7	2%
Wyeth BioParma (formerly Genetics Institute)	Biotechnology Research & Manufacturing	1,800	5	6%	600	8	2%
Putnam Investments	Mutual Funds	1,000	6	3%	-	-	-
Vicor	Computer Equipment	923	7	3%	-	-	-
Verizon (formerly Nynex)	Communications	905	8	3%	476	10	2%
Compaq (formerly Digital)	Computer Equipment	720	9	2%	-	-	-
Gillette Company	Personal Care Products	580	10	2%	587	9	2%
Marshalls (Headquarters)	Clothing	-	-	-	960	4	3%
Digital Equipment Corporation	Computer Equipment	-	-	-	721	5	3%
Dynamics Research Corporation	Manufacture Industrial Measurement Systems	-	-	-	700	6	3%

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent Town Employees by Function**

**Last Ten Fiscal Years**

Function	Fiscal Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government.....	48	48	50	50	54	56	56	54	53	74
Public Safety.....	133	133	135	140	143	148	149	145	145	145
Education.....	522	576	615	650	669	694	738	691	724	733
Public works/Plant and facilities.....	95	99	99	100	104	110	110	105	105	105
Community services.....	10	11	12	12	13	14	14	13	13	13
Library.....	<u>37</u>	<u>38</u>	<u>39</u>	<u>39</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>38</u>	<u>38</u>	<u>31</u>
Total .....	<u>844</u>	<u>904</u>	<u>949</u>	<u>992</u>	<u>1,024</u>	<u>1,062</u>	<u>1,106</u>	<u>1,047</u>	<u>1,077</u>	<u>1,101</u>

Source: Various Town Departments

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>General Government</b>										
Population.....	29,846	29,074	30,226	29,846	30,251	30,251	30,695	29,994	29,843	30,820
Registered Voters, Annual Town Election.....	19,413	19,029	19,287	18,733	19,874	19,853	19,237	18,725	20,220	19,380
<b>Town Clerk</b>										
Births.....	333	341	345	327	328	345	345	283	269	272
Marriages.....	187	189	174	177	187	142	163	106	169	133
Deaths.....	258	251	258	261	277	234	296	244	247	260
Dogs licensed.....	2,022	2,204	2,041	2,147	2,321	2,238	2,260	2,292	2,272	2,230
Fishing & Hunting Licenses .....	566	630	560	454	379	424	416	375	296	265
Business Certificates.....	106	126	112	148	115	113	130	167	177	123
New Voter Registrations.....	3,428	991	1,689	1,348	2,398	794	1,603	1,044	2,611	931
Passport Applications.....	n/a	n/a	n/a	n/a	n/a	62	1,361	1,163	1,200	797
<b>Public Safety</b>										
<b>Police</b>										
Documented calls for police services.....	25,501	30,873	28,066	39,492	38,696	37,126	32,050	31,245	32,245	32,209
Arrests.....	392	404	448	848	738	499	450	450	400	578
Domestic Abuse.....	36	29	25	41	39	37	25	35	26	40
Vandalism.....	227	213	237	192	188	301	255	215	214	185
Larceny.....	607	427	465	424	337	490	425	380	345	458
Assaults.....	58	77	60	56	58	73	67	53	33	55
Breaking & Entering.....	121	91	83	95	71	60	51	65	47	69
Motor Vehicle accidents.....	1,318	1,225	1,351	1,243	1,184	1,163	1,307	1,177	1,087	1,007
Parking tickets issued.....	10,000	8,000	6,500	8,775	14,000	10,250	11,125	12,000	13,900	5,484
Total number of animal complaints.....	1,372	1,155	n/a	942	1,131	914	941	822	780	669
<b>Fire</b>										
<b>Incidents</b>										
Fires.....	239	293	245	445	420	768	637	1,098	1,028	1,279
EMS Calls.....	2,105	2,009	2,022	2,427	2,770	2,610	2,571	3,094	2,514	2,632
Motor Vehicle Accidents.....	n/a	168	181	249	283	321	156	284	253	265
Hazardous Conditions.....	n/a	n/a	n/a	n/a	n/a	25	96	130	109	227
False Alarms & False Calls.....	180	70	195	191	230	345	490	747	744	814
Miscellaneous Alarms.....	174	140	278	404	528	528	450	529	303	192
Good Intent Calls.....	860	907	243	175	180	106	171	140	117	141
Mutual Aid (Fire Calls).....	58	25	19	35	20	47	14	17	21	21
Ambulance Mutual Aid Calls.....	227	171	174	155	61	53	40	57	50	48

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Fire Prevention Activities.....	1,767	1,757	1,864	2,040	2,343	2,224	2,030	2,204	2,135	1,730
Service Calls.....	n/a	12	428	1,501	2,265	2,958	2,597	2,460	2,231	2,421
Training.....	n/a	21	45	180	144	177	126	138	232	225
Co-Activation.....	n/a	n/a	n/a	48	45	45	36	34	25	57
Permits/certificates issued										
Smoke Detectors.....	665	666	764	716	725	602	679	814	840	1,038
Report Copies.....	67	68	61	77	72	85	64	66	82	57
Blasting Permits.....	8	14	16	17	7	16	76	51	68	44
Cutting/Welding Permits.....	17	28	15	13	15	13	21	22	24	24
Dumpster Permits.....	111	117	69	72	58	80	100	127	143	104
Fireworks Display Permits.....	1	2	1	1	1	1	1	2	1	1
Gunpowder Storage Permits.....	-	-	1	-	-	1	-	1	3	-
Liquid Gas Storage Permits.....	39	53	52	69	57	63	71	86	53	95
Flammable Liquid Storage Permits.....	3	2	4	1	6	5	6	6	2	9
Miscellaneous Permits.....	3	2	1	5	2	2	3	4	2	10
Open Air Burning Permits.....	523	791	679	613	571	612	234	513	487	437
Oil Burner Install Permits.....	117	154	166	159	112	138	104	108	138	110
Commercial Fire Alarm Systems.....	9	1	28	47	28	69	35	63	78	80
Special Suppression System Permits.....	1	-	5	12	6	10	10	7	2	9
Sprinkler Install Permits.....	39	64	58	76	62	73	45	64	52	69
Underground Tank Re-certification.....	3	4	16	10	-	9	10	9	11	10
Underground Tank Removals.....	107	72	99	74	57	67	49	45	53	41
Master Fire Alarm Boxes.....	129	132	138	133	137	144	156	150	8	20
Building Department										
Permits issued.....	1,228	1,178	1,170	1,208	1,211	1,143	1,114	1,334	1,483	1,284
Education										
Public school enrollment.....	5,501	5,628	5,698	5,785	5,875	5,886	5,963	5,925	6,000	6,026
Public Works										
Cemetery										
Lots sold.....	197	105	n/a	117	94	108	62	76	53	111
Interments/cremations.....	90	92	84	92	101	101	62	46	57	75

(continued)

**Operating Indicators by Function/Program**

**Last Ten Calendar Years**

<b>Function/Program</b>	<b>Calendar Year</b>									
	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Human Services</b>										
Board of Health										
Plan reviews.....	267	312	287	168	147	159	175	210	206	222
Inspections										
Restaurant .....	160	290	232	203	224	142	85	110	93	153
Environmental/Sanitary Code.....	n/a	n/a	n/a	n/a	n/a	175	210	167	185	194
Complaints investigated.....	193	283	245	147	185	494	224	250	309	277
Administrative Hearings.....	2	2	6	3	7	4	3	6	14	10
Court Actions.....	3	2	4	3	5	2	1	5	12	12
Council on Aging										
Home delivered meals served.....	13,072	13,092	20,000	20,500	24,500	22,500	25,000	25,000	26,000	26,520
Medical-van trips.....	500	550	1,100	1,300	1,200	1,300	1,350	1,875	1,750	1,785
<b>Libraries</b>										
Program attendance.....	n/a	n/a	11,171	20,078	13,616	9,060	14,941	13,798	8,000	8,131
Books & Periodicals.....	372,954	405,865	393,952	379,296	355,000	350,000	355,000	350,000	345,000	332,661
PC & Internet Use.....	2,079	7,742	10,343	19,500	30,000	35,900	45,000	52,500	52,500	50,757
Reference Questions.....	39,122	43,834	40,327	67,500	60,000	55,000	54,900	54,900	56,000	59,618
Non-Print Circulation.....	95,486	104,361	113,368	136,000	150,000	165,000	175,000	190,000	175,000	162,280
<b>Sewer</b>										
Service connections.....	4,922	5,062	5,062	5,062	5,293	5,654	5,680	5,850	5,850	5,850
<b>Water</b>										
Daily consumption (in million gallons).....	4.941	5.093	5.004	6.510	5.760	6.510	6.540	5.940	6.030	6.720
Source: Various Town Departments										(Concluded)
N/A Information not available										

**Capital Asset Statistics by Function/Program**

**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General Government										
Number of Buildings.....	14	14	14	14	14	14	16	16	16	16
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.....	5	5	5	5	5	5	6	6	6	6
Number of middle schools.....	2	2	2	2	2	2	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	235	235
Fire hydrants.....	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Sanitary sewers (miles).....	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	146	146
Storm sewers (miles).....	80	80	80	80	80	80	80	80	80	80
Culture and Recreation										
Playgrounds.....	14	14	14	14	14	14	14	14	14	14
Parks.....	4	4	4	4	4	4	4	4	4	4
Playgrounds - Acreage.....	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage.....	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	29	29	29	29	29	29	31	31	31	31
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various Town Departments

N/A Information not available

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

**Last Ten Fiscal Years**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Levy Limit.....	\$ 53,646,150	\$ 55,826,738	\$ 58,922,638	\$ 62,075,279	\$ 65,892,530	\$ 71,123,231	\$ 75,831,251	\$ 79,165,092	\$ 82,285,046	\$ 86,010,409
Previous Levy.....	\$ 48,799,944	\$ 51,163,668	\$ 53,948,756	\$ 57,141,225	\$ 60,382,095	\$ 63,948,257	\$ 68,287,439	\$ 72,287,345	\$ 75,252,414	\$ 78,949,600
Legal Increase.....	\$ 1,219,999	\$ 1,279,092	\$ 1,348,719	\$ 1,428,531	\$ 1,509,552	\$ 1,598,706	\$ 1,707,186	\$ 1,807,184	\$ 1,881,310	\$ 1,973,740
New Growth.....	\$ 1,143,725	\$ 1,505,996	\$ 1,843,750	\$ 1,812,339	\$ 2,056,610	\$ 2,740,476	\$ 2,292,720	\$ 1,157,885	\$ 1,815,876	\$ 2,035,526
Debt Exclusion.....	\$ 2,482,482	\$ 1,877,982	\$ 1,781,413	\$ 1,693,184	\$ 1,944,273	\$ 2,835,792	\$ 3,543,906	\$ 3,912,678	\$ 3,335,446	\$ 3,051,543
Maximum Taxing Capacity...	<u>\$ 53,646,150</u>	<u>\$ 55,826,738</u>	<u>\$ 58,922,638</u>	<u>\$ 62,075,279</u>	<u>\$ 65,892,530</u>	<u>\$ 71,123,231</u>	<u>\$ 75,831,251</u>	<u>\$ 79,165,092</u>	<u>\$ 82,285,046</u>	<u>\$ 86,010,409</u>
Actual Levy.....	\$ 52,665,286	\$ 54,960,204	\$ 58,081,474	\$ 61,739,103	\$ 64,931,425	\$ 69,830,570	\$ 75,831,100	\$ 79,164,340	\$ 81,667,810	\$ 86,009,003
Unused Levy Capacity.....	\$ 980,864	\$ 866,534	\$ 841,164	\$ 336,176	\$ 961,105	\$ 1,292,661	\$ 151	\$ 752	\$ 617,236	\$ 1,406