

OFFICIAL STATEMENT DATED DECEMBER 8, 2021

**Rating: See “Rating” herein.
S&P Global Ratings: AAA**

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law, interest on the Bonds is included in gross income for federal tax purposes and is subject to Massachusetts personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “Tax Matters” herein.

**TOWN OF ANDOVER, MASSACHUSETTS
\$165,000,000 General Obligation Pension Bonds
(Subject to Federal and Massachusetts Income Taxation)**

DATED
Date of Delivery

DUE
November 1
(as shown on the inside cover)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See “THE BONDS -Book-Entry Transfer System” herein.)

Principal of the Bonds will be payable November 1 of the years in which the Bonds mature. Interest on the Bonds will be payable May 1 and November 1, commencing November 1, 2022. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to mandatory or optional redemption prior to their stated maturity dates as set forth herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Andover, Massachusetts and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½), and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

The Bonds are offered, when, as and if issued by the Town and accepted by the Underwriters, as hereinafter defined, subject to prior sale, to withdrawal or modification of the offer without notice and to approval as to legality by Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts. Hilltop Securities Inc., Boston, Massachusetts, has acted as Financial Advisor to the Town with respect to the Bonds. It is expected that the Bonds in definitive form will be available for delivery at DTC or its custodial agent on or about December 16, 2021.

Stifel, Nicolaus & Company, Incorporated

BofA Securities

Baird

Ramirez & Co., Inc.

Raymond James

December 8, 2021

THE BONDS DESCRIBED IN THIS OFFICIAL STATEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

**TOWN OF ANDOVER, MASSACHUSETTS
\$165,000,000 GENERAL OBLIGATION PENSION BONDS
(Subject to Federal and Massachusetts Income Taxation)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS & CUSIPS

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip # 034286</u>
11/1/2022	\$ 6,755,000	0.649 %	0.649 %	FC3
11/1/2023	8,055,000	0.699	0.699	FD1
11/1/2024	8,130,000	1.076	1.076	FE9
11/1/2025	8,225,000	1.330	1.330	FF6
11/1/2026	8,340,000	1.480	1.480	FG4
11/1/2027	8,475,000	1.691	1.691	FH2
11/1/2028	8,625,000	1.761	1.761	FJ8
11/1/2029	8,780,000	1.873	1.873	FK5
11/1/2030	8,950,000	1.973	1.973	FL3
11/1/2031	9,135,000	2.073	2.073	FM1
11/1/2032	9,330,000	2.173	2.173	FN9
11/1/2033	9,545,000	2.323	2.323	FP4
11/1/2034	9,775,000	2.423	2.423	FQ2
11/1/2035	10,015,000	2.523	2.523	FR0
11/1/2036	10,280,000	2.623	2.623	FS8

\$32,585,000 Interest Rate 2.793% Term Bond Maturing November 1, 2039 Yield 2.793% CUSIP #034286 FT6

No dealer, broker, sales person or other person has been authorized by the Town, the Underwriters, or the Financial Advisor to give any information or to make any representations with respect to the Town or the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town, the Underwriters, or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriters.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed information in this Official Statement as part, and in accordance with, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Issuer:	Town of Andover, Massachusetts.
Issue:	\$165,000,000 General Obligation Pension Bonds (Subject to Federal and Massachusetts Income Taxation), see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	December 8, 2021.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially November 1, 2022 through November 1, 2036, with one Term Bond maturing November 1, 2039, as detailed herein.
Interest Payable:	Semiannually on May 1 and November 1, commencing November 1, 2022.
Purpose and Authority:	The Bonds are being issued pursuant to Chapter 306 of the Acts of 2020, a Town Meeting vote adopted June 5, 2021 and a ballot question approved on June 15, 2021 for the purpose of funding a portion of the unfunded pension liability of the Town.
Redemption:	The Bonds are subject to mandatory or optional redemption prior to their stated maturity dates as set forth herein.
Security:	The Bonds are valid general obligations of the Town of Andover, Massachusetts and the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town without limitation as to rate or amount except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws (Proposition 2 ½), and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.
Credit Rating:	S&P Global Ratings has assigned a AAA rating to the Bonds.
Tax Matters:	Refer to "Tax Matters" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts.
Underwriters Counsel:	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.
Financial Advisor:	Hilltop Securities Inc., Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about December 16, 2021, against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Mr. Michael Morse, Treasurer, Town of Andover, Massachusetts Telephone (978) 623-8941 or Peter Frazier, Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4409.

OFFICIAL STATEMENT
TOWN OF ANDOVER, MASSACHUSETTS
\$165,000,000 General Obligation Pension Bonds
(Subject to Federal and Massachusetts Income Taxation)

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Andover, Massachusetts (the "Town") in connection with the sale of \$165,000,000 stated principal amount of its General Obligation Pension Bonds (Subject to Federal and Massachusetts Income Taxation), (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another source.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on November 1 of the years in which the Bonds mature. Interest, computed on a 30/360 basis, will be payable semiannually on each May 1 and November 1 until maturity, or redemption prior to maturity, commencing November 1, 2022.

The Bonds are issuable only in fully registered form without coupons, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or Registered Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "THE BONDS - Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates, as described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to November 1, 2031 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after November 1, 2032 shall be subject to redemption prior to maturity, at the option of the Town, on or after November 1, 2031, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Bonds maturing on November 1, 2039 (the "Term Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on November 1 in the respective years as set forth in the following tables. If some but not all of the Term Bonds have been redeemed the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000.

Term Bonds Maturing

November 1, 2039

Sinking Fund Redemption Date (November 1)	Principal Amount To Be Redeemed
11/1/2037	\$10,560,000
11/1/2038	10,860,000
11/1/2039 (maturity)	11,165,000

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest on the Bonds (the "Record Date") is the fifteenth day of the month preceding the interest payment date, provided that, if such date is not a business day, the Record Date shall be the next succeeding business day. Under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The Bonds are being issued pursuant to Chapter 306 of the Acts of 2020, a Town Meeting vote adopted on June 5, 2021 and a ballot question approved on June 15, 2021 for the purpose of funding a portion of the Town's unfunded pension liability and paying costs of issuing the Bonds. Net proceeds of the Bonds will be paid to the Andover Retirement System (the "System") and will be applied to reduce the unfunded pension liability of the Town to the System. As a result of the funding of a portion of the Town's unfunded pension liability with the proceeds of the Bonds and with the expected investment earnings thereon, the Town expects to achieve present value savings over the term of the Bonds, as compared with the amount it would otherwise have paid under its existing funding schedule. The issuance of the Bonds for the purpose of funding a portion of the Town's unfunded pension liability has been approved by the Commonwealth's Secretary for Administration and Finance as required by Chapter 306 of the Acts of 2020. See "Retirement Plan" below for a general description of the Town's pension liabilities and retirement system and for a description of the Town's

finance plan for funding its unfunded pension liability. Of the total \$175,000,000 authorized, the Town voted to exempt \$87,500,000 principal of the Bonds, and associated interest, from the limitations on total property taxes in the Town set forth in Chapter 59, Section 21C of the General Laws (also known as Proposition 2 ½).

Plan of Finance

Addressing unfunded liabilities has been a priority for the Town for the last several years. The funded ratio of the System has historically been below 50% - Andover, the plan sponsor, is the only AAA rated community in Massachusetts to have a Retirement System with a funding ratio this low. While many communities across Massachusetts face challenges with their unfunded liabilities, the Town finds itself in a unique position: a town with strong financial management and the highest bond rating yet serving as the plan sponsor to one of the poorest funded retirement systems in Massachusetts. In recognition of this unique circumstance, a multi-faceted approach has been applied to addressing the Town's liabilities.

The investment strategy will be decided by the Retirement Board and the newly appointed Investment Committee (a town committee) with consultation of an Investment Advisor. Whether to invest over time or at once, and the relative opportunity costs will be evaluated very closely in the coming weeks. The funded ratio of the System will increase to approximately 89% after this issuance.

Addressing the pension liability has relied on incremental steps in order to be in a position to seek a pension obligation bond. One major factor in the long-term plan to address unfunded liabilities was relying on realistic conservative assumptions. The Town has used more conservative rate assumptions on its balance sheet for the pension liability, and ultimately worked with the Retirement Board to lower the discount rate. The valuation as of January 1, 2020 used 7.00%; the valuation as of January 1, 2021 incorporated a 5.75% rate – one of the most conservative discount rates for public pension systems nationally.

Despite increases in appropriations to the System, and a new funding source through additional employee contributions, it became clear that the growth of the liability would outpace any funding effort short of a systemic change to how the unfunded liabilities were to be addressed.

In addition to considerable taxpayer savings, the primary objective with pension obligation bonds is to assist in fully funding the unfunded pension liability. The estimated debt service on the bonds is projected to be less than the accumulated payments to address the unfunded liability of the pension system between now and 2040. To mitigate risk associated with a pension obligation bond, (for example, an increase in accrued unfunded liability arising from earnings that are less than the rate of return expectation or from changes in actuarial assumptions) a reserve fund will be established with two revenue sources: employee contributions, and an annual contribution from the general fund to offset losses or for reconciling new unfunded liabilities. The Town expects to fund the reserve fund annually from the general fund and the 1% contribution from employees, (approximately 90% of town employees contribute 1% of their regular pay as voluntary deduction to the Town) which amounts to approximately \$250,000 in fiscal 2022 and will increase as salaries increase, is expected to be approximately \$24 million over the term of the Bonds – see chart below.

EXPECTED RESERVE			
Fiscal Year	General Fund Reserve	Employee Contribution Reserve	Reserve Balance
2023	\$ 325,890	\$ 250,000	\$ 575,890
2024	\$ 317,927	\$ 255,000	\$ 1,148,817
2025	\$ 417,444	\$ 260,100	\$ 1,826,361
2026	\$ 516,498	\$ 265,302	\$ 2,608,161
2027	\$ 614,981	\$ 270,608	\$ 3,493,750
2028	\$ 712,779	\$ 276,020	\$ 4,482,549
2029	\$ 809,774	\$ 281,541	\$ 5,573,864
2030	\$ 905,839	\$ 287,171	\$ 6,766,874
2031	\$ 1,000,839	\$ 292,915	\$ 8,060,628
2032	\$ 1,094,635	\$ 298,773	\$ 9,454,036
2033	\$ 1,187,076	\$ 304,749	\$ 10,945,861
2034	\$ 1,278,010	\$ 310,844	\$ 12,534,715
2035	\$ 1,367,269	\$ 317,060	\$ 14,219,044
2036	\$ 1,454,683	\$ 323,402	\$ 15,997,129
2037	\$ 1,540,067	\$ 329,870	\$ 17,867,066
2038	\$ 1,623,230	\$ 336,467	\$ 19,826,763
2039	\$ 1,703,972	\$ 343,196	\$ 21,873,931
2040	\$ 1,782,078	\$ 350,060	\$ 24,006,069

This reserve fund can be used to offset any liabilities that may be created through the borrowing term, or in order to meet compliance with the State's 2040 required deadline. This reserve will be held and managed by the Town (not the System), and the Town is not obligated to maintain a minimum balance or replenish the reserve in the event it is drawn upon. **Funds in the reserve are not pledged to the payment of the Bonds or any other general obligation of the Town.** This reserve fund was created through special legislation, and if there is a balance after the debt service is paid, town meeting can decide how these funds are expended.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:

Par Amount of the Bonds	\$ 165,000,000.00
Total Sources	<u>\$ 165,000,000.00</u>

Uses:

Funds Paid to Retirement System	\$ 164,181,783.51
Underwriters' Discount	500,332.49
Costs of Issuance †	317,884.00
Total Uses	<u><u>\$ 165,000,000.00</u></u>

† Includes cost of professional fees and miscellaneous expenses.

Tax Matters

In the opinion of Locke Lord LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds is included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The following discussion summarizes certain U.S. federal income tax considerations relating to the acquisition, ownership, and disposition of the Bonds and it may not contain all of information that may be important to a particular investor. It is based on provisions of the Code, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all in effect or proposed on the date hereof and all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below. Accordingly, no assurance can be given that the IRS will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation.

The following relates only to Bonds that are acquired in the initial offering for an amount of cash equal to the initial offering price (*i.e.*, the price at which a substantial amount of such Bonds is first sold to the public) and that are held as "capital assets" within the meaning of Section 1221 of the Code (*i.e.*, generally, property held for investment).

This discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special tax treatment (regardless of whether or not such persons constitute U.S. Holders (defined below)), such as banks and other financial institutions, retirement plans, employee stock ownership plans, certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), S corporations, estates and trusts, investors who hold their Bonds as part of a hedge, straddle, or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or persons subject to the alternative minimum tax. In addition, this discussion does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular investor and does not consider any aspects of U.S. federal tax law other than income taxation.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that is, for U.S. federal income tax purposes: (i) an individual citizen or resident, as defined in Section 7701(b) of the Code, of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust or (B) the trust validly elected to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) who is not a U.S. Holder.

The U.S. federal income tax treatment of an entity classified as a partnership for U.S. federal income tax purposes that holds the Bonds generally will depend on such partner's particular circumstances and on the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

"Original issue discount" will arise for U.S. federal income tax purposes in respect of any Bonds if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for U.S. federal income tax purposes). For any Bonds issued with original issue discount, the amount of original issue discount is equal to the excess of the stated redemption price at maturity of that Bond over its issue price. The stated redemption price at maturity of a Bond is the sum of all scheduled amounts payable on such Bond other than qualified stated interest. U.S. Holders generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

"Premium" generally will arise for U.S. federal income tax purposes in respect of any Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Market Discount. A holder who acquires a Bond in a secondary market transaction may be subject to U.S. federal income tax rules providing that accrued market discount will be subject to taxation as ordinary income on the sale or other disposition of a "market discount bond." Dispositions subject to this rule include a redemption or retirement of a Bond. The market discount rules may also limit a holder's deduction for interest expense for debt that is incurred or continued to

purchase or carry a Bond. A market discount bond is defined generally as a debt obligation purchased subsequent to issuance, at a price that is less than the principal amount of the obligation, subject to a de minimis rule. The Code allows a taxpayer to compute the accrual of market discount by using a ratable accrual method or a constant interest rate method. Also, a taxpayer may elect to include the accrued discount in gross income each year while holding the bond, as an alternative to including the total accrued discount in gross income at the time of a disposition, in which case the tax basis of the bond will be increased by the amount of discount included in gross income and the interest expense deduction limitation described above will not apply.

Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Town), reissuance or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond which will be taxed in the manner described above under "Interest") and (ii) the U.S. Holder's adjusted tax basis in the Bond at the time of disposition. A U.S. Holder's adjusted basis in a Bond will generally equal the purchase price paid by the U.S. Holder for the Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Bond and decreased by any payments previously made on such Bond, other than payments of qualified stated interest, or decreased by any amortized premium. Any such gain or loss generally will be capital gain or loss and will be long term capital gain or loss if such Bond is held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to tax at preferential rates. The deductibility of capital losses is subject to limitations.

Defeasance or a material modification of the terms of any Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased or modified Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner's adjusted tax basis in the Bond.

Net Investment Income Tax. Section 1411 of the Code generally imposes a 3.8% Medicare contribution tax on the net investment income of certain individuals, trusts, and estates to the extent their income exceeds certain threshold amounts. For these purposes, "net investment income" may include, among other things, interest and gains from the sale or other disposition of the Bonds. Prospective investors are advised to consult their tax advisors regarding the possible implications of this additional tax on their investment in the Bonds.

Information Reporting and Backup Withholding. In general, a U.S. Holder will be subject to backup withholding with respect to interest on the Bonds, and the proceeds of a sale or other disposition of the Bonds (including a redemption or retirement), at the applicable tax rate of 28%, unless such holder (a) is an entity that is exempt from backup withholding (including corporations) and, when required, demonstrates this fact, or (b) provides the payor with its taxpayer identification number ("TIN"), certifies that the TIN provided to the payor is correct and that the holder has not been notified by the IRS that such holder is subject to backup withholding due to underreporting of interest or dividends, and otherwise complies with applicable requirements of the backup withholding rules. In addition, such payments to U.S. Holders that are not exempt entities will generally be subject to information reporting requirements. A U.S. Holder who does not provide the payor with its correct TIN may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS.

Non-U.S. Holders

The following discussion applies only to Non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a Non-U.S. Holder that is a "controlled foreign corporation" or a "passive foreign investment company," and, accordingly, Non-U.S. Holders should consult their own tax advisors to determine the effect of U.S. federal, state, local and non U.S. tax laws, as well as tax treaties, with regard to an investment in the Bonds.

Interest. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," a Non-U.S. Holder will not be subject to U.S. federal income or withholding taxes in respect of interest paid or accrued on a Bond (including original interest discount income) if the interest qualifies for the "portfolio interest exemption." This generally will be the case if each of the following applicable requirements are satisfied:

- the interest is not effectively connected with a U.S. trade or business;
- the Non-U.S. Holder is not, and is not treated as, a bank receiving interest on an extension of credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in Section 881(c)(3)(A) of the Code;
- certain certification requirements are met. Under current law, the certification requirement will be satisfied in any of the following circumstances:

- If a Non-U.S. Holder provides to the payor a statement on an applicable IRS Form W-8 (or suitable successor form), together with all appropriate attachments, signed under penalties of perjury, identifying the Non-U.S. Holder by name and address and stating, among other things, that the Non-U.S. Holder is not a United States person.
- If a Bond is held through a securities clearing organization, bank, or another financial institution that holds customers' securities in the ordinary course of its trade or business, (i) the Non-U.S. Holder provides such a form to such organization or institution, and (ii) such organization or institution, under penalty of perjury, certifies to the payor that it has received such statement from the beneficial owner or another intermediary and furnishes the payor with a copy thereof.
- If a financial institution or other intermediary that holds the Bond on behalf of the Non-U.S. Holder has entered into a withholding agreement with the IRS and submits an IRS Form W-8IMY (or suitable successor form) and certain other required documentation to the payor.

If the requirements of the portfolio interest exemption described above are not satisfied, a 30% withholding tax will apply to the gross amount of interest on the Bonds that is paid to a Non-U.S. Holder, unless either: (a) an applicable income tax treaty reduces or eliminates such tax, and the Non-U.S. Holder claims the benefit of that treaty by providing a properly completed and duly executed IRS Form W-8BEN or Form W-8BEN-E, as applicable (or suitable successor or substitute form) establishing qualification for benefits under the treaty, or (b) the interest is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States and the Non-U.S. Holder provides an appropriate statement to that effect on a properly completed and duly executed IRS Form W-8ECI (or suitable successor form).

If a Non-U.S. Holder is engaged in a trade or business in the United States and its investment in a Bond is effectively connected with the conduct of that trade or business, the Non-U.S. Holder generally will be required to pay U.S. federal income tax on that interest on a net income basis in the same manner as a U.S. Holder and the 30% withholding tax described above will not apply provided the duly executed IRS Form W-8ECI is provided to the Town's paying agent. If a Non-U.S. Holder is eligible for the benefits of an income tax treaty between the U.S. and its country of residence, and the Non-U.S. Holder claims the benefit of the treaty by properly submitting an IRS Form W-8BEN or Form W-8BEN-E, as applicable, any interest income that is effectively connected with a U.S. trade or business will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such income is attributable to a permanent establishment (or a fixed base in the case of an individual) maintained by the Non-U.S. Holder in the United States. In addition, a Non-U.S. Holder that is treated as a foreign corporation for U.S. federal income tax purposes may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable income tax treaty) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

Disposition of the Bonds. Subject to the discussions below under the headings "FATCA Withholding" and "Information Reporting and Backup Withholding," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement, reissuance or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, in the case of certain income tax treaties, is attributable to a permanent establishment or "fixed base" within the United States); or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement, reissuance or other disposition and certain other conditions are met. If the first exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax on the net gain derived from the sale, exchange, redemption, retirement at maturity, or other taxable disposition of the Bonds in the same manner as a U.S. Holder unless an applicable income tax treaty provides otherwise. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (except as otherwise provided by an applicable income tax treaty) on the amount by which its U.S.-source capital gains exceed its U.S.-source capital losses. In addition, corporate Non-U.S. Holders may be subject to a 30% (or lower applicable treaty rate) branch profits tax on any such effectively connected earnings and profits attributable to such gain.

U.S. Federal Estate Tax. A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to such Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

FATCA Withholding. The Foreign Account Tax Compliance Act ("FATCA") together with administrative guidance and certain intergovernmental agreements entered into thereunder generally imposes a 30% U.S. withholding tax on certain U.S. source payments, including interest, and, after December 31, 2018, on gross proceeds from a disposition of property of a type which can produce U.S. source interest ("withholdable payments"), paid to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) or to a "non-financial foreign entity" (as specifically defined in the Code) which does not provide

sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). The 30% withholding tax under FATCA applies regardless of whether the foreign financial institution or non-financial foreign entity receives payments as a beneficial owner or intermediary and whether the applicable payment otherwise is exempt from U.S. withholding (e.g., as “portfolio interest” or as capital gain upon the sale, exchange, redemption or other disposition of a Bond). Interest paid with respect to the Bonds and, after December 31, 2018, gross proceeds from the sale or disposition of the Bonds, may be subject to the 30% withholding tax if the holder fails to comply with FATCA. Non-U.S. holders are urged to consult their own tax advisors with respect to these information reporting rules and due diligence requirements and the potential application of FATCA to them.

Information Reporting and Backup Withholding. In general, the amount of any interest paid on the Bonds in each calendar year, and the amount of U.S. federal income tax withheld, if any, with respect to these payments will be reported to the IRS and each Non-U.S. Holder. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under an applicable income tax treaty or other information exchange agreement.

Non-U.S. Holders who have provided certification as to their non-U.S. status or who have otherwise established an exemption will generally not be subject to backup withholding tax on payments of interest if the payor does not have actual knowledge or reason to know that such certification is unreliable or that the conditions of the exemption are in fact not satisfied.

Payments of the proceeds from the disposition of a Bond (including a redemption or retirement) to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting, but generally not backup withholding, may apply to those payments if the broker is one of the following: (a) a United States person, (b) a “controlled foreign corporation” for U.S. federal income tax purposes, (c) a foreign person, 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a U.S. trade or business, or (d) a foreign partnership with specified connections to the United States, unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption.

Payment of the proceeds from a disposition of a Bond (including a redemption or retirement) to or through the United States office of a broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder certifies as to its non-U.S. status or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder’s federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR BENEFICIAL OWNER OF BONDS IN LIGHT OF THE BENEFICIAL OWNER’S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO ANY TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, FOREIGN TAX LAWS AS WELL AS OTHER FEDERAL TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN THESE TAX LAWS.

Massachusetts Tax Matters

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds and any profit on the sale of the Bonds are included in Massachusetts personal income taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds. Prospective U.S. Holders and Prospective Non-U.S. Holders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for “qualified bonds” as described below (see “Serial Bonds and Notes” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and setoffs of state distributions

as described below (see “*State Distributions*” below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments”. Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “INDEBTEDNESS-Authorization Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter, passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the “Commonwealth”) or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs,

including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Certain Legal Matters

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Locke Lord LLP, Boston, Massachusetts, Bond Counsel. The approving opinion of Bond Counsel, in substantially the form attached hereto as Appendix B, will be delivered with the Bonds. Certain legal matters will be passed upon for the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Rating

S&P Global Ratings has assigned a AAA rating to the Bonds. Said rating only reflects the rating agency's views and is subject to revision or withdrawal, which could affect the price and marketability of the Bonds.

Financial Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

The Town's 2017 and 2018 Annual Reports were timely filed but were not linked to certain CUSIPs for the Town's GO Series 2006, GO Municipal Purpose Loan Series 2016, and GO Municipal Purpose Loan Series 2017 on EMMA at the time of filing. Such links have now been made.

TOWN OF ANDOVER, MASSACHUSETTS

General

The Town of Andover, Massachusetts (the "Town") is located in Essex County approximately 22 miles north of Boston on the Merrimack River. Andover has a population of approximately 36,356 (2020 Federal Census) and occupies a land area of 32 square miles. The Town is governed by an open town meeting and administered by a Town Manager and a five-member Select Board.

The following table sets forth the principal executive officials of the Town.

Principal Town Officials

Town Title	Name	Selection	Term Expires
Select Board, Chair	Christian C. Huntress	Elected	2024
Select Board, Vice Chair	Alexander J. Vispoli	Elected	2022
Select Board, Clerk	Richard T. Howe	Elected	2022
Select Board, Member	Ann W. Gilbert	Elected	2024
Select Board, Member	Laura M. Gregory	Elected	2023
Town Manager	Andrew P. Flanagan	Appointed	2025
Director of Finance	Donna M. Walsh	Appointed	Indefinite
Treasurer/Collector	Michael Morse	Appointed	Indefinite
Town Accountant	Hayley S. Green	Appointed	2022
Town Clerk	Melissa Ripley	Appointed	Indefinite

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of solid waste, water and sewer services, schools for grades kindergarten through 12, street maintenance, parks and recreational facilities, a library and a land conservation program. The Andover Housing Authority provides housing for the elderly and low-income families.

The Greater Lawrence Regional Vocational Technical High School District provides vocational and technical education for students in grades 9 through 12.

The Town operates its own water supply, purification and distribution system providing water services to essentially all residential, industrial and commercial users in the Town. The Town provides the Town of North Andover with water on an emergency basis.

Wastewater treatment services are provided for many of the Town's residential users and essentially all of the Town's industrial and commercial users via connections to the Greater Lawrence Sanitary District. The Town's Public Works Department is responsible for the operation and maintenance of the Town's wastewater pumping stations and its entire system of sanitary sewers.

Global Health Crisis - Coronavirus (COVID-19)

COVID-19 is a respiratory disease caused by a novel coronavirus. On March 10, 2020, the Governor of The Commonwealth of Massachusetts declared a state of emergency to support the Commonwealth's response to the outbreak of the virus. On March 11, 2020 the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President declared a national emergency due to the outbreak, which enabled disaster funds to be made available to states to fight the pandemic. On March 15, 2020, the Governor announced emergency actions to help address the spread of the virus, and as a result the Town temporarily closed all municipal buildings to the public. The Governor lifted all COVID-19 restrictions on May 29, 2021. The Town strictly followed the public health recommendations of social distancing guidelines and limiting public gatherings as advised. The Town continues to and expects to continue to maintain all essential functions and services.

In FY20, pursuant to M.G.L. Chapter 44 Section 31 the Town established a fund to account for all COVID-19 related expenses and received authorization from The Commonwealth of Massachusetts Division of Local Services Director of Accounts on June 12, 2020 to deficit spend for these costs, including but not limited to overtime, cleaning, medical supplies and IT equipment.

On May 14, 2020 the Town received notification that it had been awarded \$3.2 million in Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES") funding through the Commonwealth. These funds were required to be spent on COVID-19 related expenses incurred between March 1, 2020 and December 30, 2020. A second round of expenditure requests was submitted on October 30, 2020 to cover expenditures incurred through December 30, 2020. On December 27, 2020 the Consolidated Appropriations Act 2021 was signed into law extending the deadline for the use of CARES funding from December 30, 2020 to December 31, 2021. Of the \$3.2 million in CARES funding awarded, the Town has spent or obligated approximately \$2.6 million to date.

For FY21, the Town revised revenue projections to reflect a reduction of 20% to 50% for local option taxes and some other revenue categories. The Town was anticipating a 20% state aid reduction in fiscal 2021 however the Commonwealth committed that the largest categories of state aid, Chapter 70 and unrestricted general governmental aid would remain at the same level as fiscal 2020.

Preliminary FY21 hotel/motel and meals local option taxes as well as licenses and permits and fees exceeded the lower budget targets. Real estate, personal property and motor excise tax collections were strong. FY21 ended in a positive position with local receipts coming in at \$1.19 million over budget and unspent appropriations of \$1.48 million.

On March 11, 2021 the American Rescue Plan Act of 2021 (ARPA) was signed into law by the President. This law provides resources through the new Coronavirus Local Fiscal Recovery Fund (CLFRF) to local governments to respond to the public health emergency caused by COVID. The Town expects to receive \$10,867,057. Federal guidance is still being developed relating to the use of the funds.

While the ongoing impact of COVID-19 and related variants remains uncertain, the FY22 budget restored some of the revenue categories back to their normal ranges while still being conservative. Expenditure requests have been carefully analyzed to ensure that COVID-19 grant funds are used where appropriate.

Education

The Town's public school facilities include five elementary schools and one early childhood center, three middle schools and one senior high school.

The following table, provided by the Andover School Department, sets forth the trend in public school enrollments for the last five years.

PUBLIC SCHOOL ENROLLMENTS - OCTOBER 1					
	Actual				
	2017	2018	2019	2020	2021
Elementary (PK-5)	2,650	2,664	2,606	2,437	2,426
Middle School (6-8)	1,492	1,507	1,456	1,383	1,351
Senior High	1,783	1,795	1,800	1,759	1,679
Total	<u>5,925</u>	<u>5,966</u>	<u>5,862</u>	<u>5,579</u>	<u>5,456</u>

In the mid 1990s, the Town borrowed approximately \$42 million for additions to and reconstruction of the Andover High School, the South Elementary School and the Sanborn Elementary School. The debt service was excluded from the limits of Proposition 2 ½ and the Town is receiving a reimbursement from the State School Building Assistance Program for 60% of principal and interest expenses. The projects upgraded facilities and increased available capacity. In December 2010, the Town authorized \$43.8 million for the construction of a new kindergarten to grade 5, 680 student, Bancroft Elementary School. In February 2013, the Town authorized \$5,715,000 bonds to cover additional costs of that project. The Massachusetts School Building Authority has agreed to provide grants of approximately \$15.7 million of project costs for the Bancroft School. In December 2012, the Town issued \$14 million bonds for a portion of the Town's share of project costs. In June 2021, the Town authorized \$151,661,968 for the West Elementary School of which the Town

expects 45.85% reimbursement on eligible project costs from the Massachusetts School Building Authority. All but approximately \$962,000 of these authorizations, and associated interest, are excluded from the limits of Proposition 2 ½.

The Town is also a member of the Greater Lawrence Regional Vocational Technical High School District. Other members include Lawrence, North Andover and Methuen. Andover enrollment averages less than 2% of district total enrollment. The district has recently completed a substantial reconstruction of its facilities. (See Overlapping Debt).

Industry and Commerce

The Town of Andover is primarily residential in character but has a substantial amount of industry. Manufacturing is the leading economic pursuit. The table below sets forth the major categories of income and employment in the Town during the following calendar years.

Industry	Calendar Year Average				
	2016	2017	2018	2019	2020
Construction	580	563	544	616	676
Manufacturing	9,125	9,288	9,065	9,385	9,356
Trade, Transportation and Utilities	2,829	2,844	2,848	3,144	3,575
Information	871	873	874	790	682
Financial Activities	2,157	2,153	2,095	2,880	1,975
Professional and Business Services	9,508	10,221	10,376	10,626	10,029
Education and Health Services	4,674	4,730	5,085	4,986	4,789
Leisure and Hospitality	1,734	1,698	1,991	1,792	1,277
Other Services	624	656	689	723	535
Total Employment	32,102	33,026	33,567	34,942	32,894
Number of Establishments	1,236	1,245	1,285	1,268	1,339
Average Weekly Wages	\$ 1,879	\$ 2,093	\$ 2,052	\$ 2,105	\$ 2,254
Total Wages	\$ 3,350,348,275	\$ 3,658,272,275	\$ 3,767,488,938	\$ 3,960,430,315	\$ 4,005,105,748

Source: Mass.gov.

Largest Employers

The following table lists the largest employers in Andover, exclusive of the Town itself.

Name	Product/Function	Approximate Number of Employees
Raytheon Co. & Endrock Associates	Missile Systems	4,500
Internal Revenue Service	Regional Service Center	1,975
Pfizer	Biopharmaceuticals (RDNA)	1,200
Putnam Investments	Mutual Funds	900
Vicor	Computer Equipment	850
Schnieder Electric	Energy Management	750
Phillips Academy	Private School	555
Hewlett Packard Services	Computer Equipment	500
Smith & Nephew	Medical Devices	500
Zwicker & Associates	Law Firm	350
Draeger Medical	Medical and safety technology	300
Northrop Grumman	Defense Systems	265
Straumann	Dentistry	255
Andover Country Club	Banquet Room/Golf Courses	240
Greater Lawrence Technical	School	230
The Andover Companies	Insurance	217
Injured Workers Pharmacy	Pharmacy	200
Procter + Gamble (formerly Gillette)	Beauty Care Products	180
MKS	Mfg. Instruments	150
Polycom	Technology	150
Phillips Medical	Medical Electronics	150
WSI	Data Processing Services	120
Massachusetts School of Law	Education	110
DeMoulas	Grocery Store	100
Navisite Corporation	Research and Investing Information	85
Caradigm (Formerly Microsoft)	Technology	50

Source: Town Treasurer

Economic Development Summary

The development climate in Andover continues to reflect positive trends and activities. The River Road Industrial District along Interstate Route 93 continues to provide jobs for approximately 10,000 people in a built environment of more than 6,000,000 square feet of office, research and development, and hi-tech manufacturing space. The River Road area is home to numerous medical device and pharmaceutical companies, such as Smith + Nephew Endoscopy, Transmedics Inc., the Straumann Company, Draeger Medical, Charm Sciences Inc., Formatech Inc. and Sarepta Therapeutics.

There are several electronics, communications, and financial companies in the district, including Schneider Electric, Navisite, Polycom, WSI (a high-tech weather service company), and Wachovia Securities and Putnam Investments with nearly 900 employees. In the spring of 2017, the River Road area became home to the corporate headquarters for Mercury Systems. Also located in the River Road area are firms such as Caradigm (formerly Microsoft), the Massachusetts School of Law, the Vicor Company, Boston Technology, Physical Sciences Inc., MKS Instruments and recently opened Crest Collaborative for Regional Educational Services and Training.

The River Road corridor is presently home to several hotels including the Courtyard Marriott, Residence Inn, Springhill Suites, Sonesta ES Suites, Doubletree by Hilton, Staybridge Suites and LaQuinta Inn & Suites. In April of 2019, the Vicor Corporation received approval to expand their manufacturing headquarters by 87,000 square feet at 400 Federal Street. This project was accompanied by a local TIF and is currently under construction. See "Tax Increment Financing for Development District" under "TOWN FINANCES" below.

In the Spring of 2020, the newly developed 25,000 square foot facility at 1 Minuteman Drive was completed, with a new Italian restaurant, Andiamo's, and daycare facility, and The Learning Express opening their doors for business.

The Dascomb Road/Lowell Street industrial area, also adjacent to Interstate Route 93 is home to a large Raytheon Company facility with more than 1,000,000 square feet of space in an expanding business environment. Along with Raytheon, are Hewlett-Packard (447,500 square feet), the Internal Revenue Northeast Service Center, Rapiscan Systems (formerly Morpho Detection), Lockheed Martin Energy, Accu-Tech, Restaurant Depot, Cambridge Isotopes, The Professional Center for Child Development and California Products (174,665 square feet). The corporate headquarters of the Vicor Company is located on Frontage Road, with manufacturing operations being conducted at its Federal Street facility. Amenities in this industrial area include Crack'D Kitchen & Coffee, Dunkin' and Spark Fitness and Tennis Club.

In an attempt to address the immediate need for Senior Housing, the Town has taken proactive steps in providing for housing for its aging population. At the 2013 Annual Town Meeting, voters approved the 113 acre Senior Residential Community Overlay District off River Road, at the former Franciscan Center. Currently, the Town of Andover, with 26% of its population over 55, faces a long-term shortage of senior housing. As a result of the proactive planning process and adoption of the overlay district, in 2015, the Planning Board approved Riverside Woods, a 200 unit age restricted independent living residence developed by Pulte Homes. The construction of the Riverside Woods development is currently under way, with nearly 180 residential units completed to date. Completion of this development is expect in Spring of 2022.

With the demographics of Andover aging faster than most communities in the Commonwealth, two new senior housing facilities have recently opened. The first to open was The Bridges at Andover located at 254 Lowell Street, a 63-unit congregate care facility focusing on memory care. The second project located at 139 Elm Street is a 96 unit assisted living facility. The Bridges at Andover opened for business in the summer of 2018, the 139 Elm Street project opened in May of 2019.

In the Lowell Junction industrial district along Interstate Route 93, Pfizer opened its new 178,000 square foot addition in 2019. This addition is part of a long term, campus-wide master plan which will bring the site to a total of 982,000 gross square feet. The building will provide for five Good Manufacturing Practices (GMP) production suites used for drug development through Phase 2 clinical trials. It also includes space for associated functions including offices, conference rooms, locker rooms, clean utility mechanical systems, warehousing and storage. Also occupying space in the Lowell Junction area are Alaska Diesel, which occupies a 43,000 square foot facility on Connector Road, Proctor and Gamble Company (formerly the Gillette Company) occupying 592,000 square feet of space in the district, along with facilities occupied by Standard Duplicating, Granite City Electric, Bodycote and Reid Graphics. At 3 Executive Place, a new 224,900 square foot warehousing facility received approval by the Planning Board in May of 2020.

Andover Landing at Brickstone (formerly Brickstone Square), a large 1,000,000 square foot former mill complex in the Shawsheen area adjacent to I-495 continues to thrive. The complex is home to more than 54 different firms, including health providers such as Genesis Health Care Corporation, Kindred Health Care, Medical Health Care Solutions and Well Point, and financial firms such as Merrill Lynch, Northern Capital Advisors Corporation, Preferred Financial Services, and RBC Dain Rauscher, as well as computer and electronics firms such as Northrop Grumman, Specialty Filaments, Broadcom, Pan Communications and Agere Systems. Other firms include Mitsubishi International, the Northeast Document Conservation Center, Andover Controls, Basilea, Regus, Aras, and Sofft Shoe. Over the past year many new companies have relocated to Andover Landing at Brickstone, including Standard Capital, Constitutional Capital, Helium, Caristone, ORA, Capsule Tech, Volcano, Genalytics, and Acquia. In the fall of 2016, Enel Green Power Energy relocated their North American headquarters to the complex. More recently, the owner of Andover Landing at Brickstone has filed plans with the Planning Board and is pursuing entitlements for a new 100,000 square foot GMC facility on their campus.

Commercial and retail activities in downtown Andover remained consistent over the past year. The downtown welcomed the opening of a new 9,872 square foot commercial building at 32 Park Street, which is now home to Lillian Montalto Signature Properties, with the opening of new businesses Elsie's Pantry, Dickey's BBQ Pit, Native Sun, Andover Bake Shop and Elm Square Liquors.

Although not in downtown proper, the Lodge at Andover opened for residential leasing. Located off of Shattuck Road, this residential community offers 248 new luxury apartments units. The project provides for a suite of housing options from one to three bedrooms, with plans currently being reviewed by the Planning Board for a new 14,180 square foot development for an overnight stay/day clinic at 140 Haverhill Street.

In March of 2019, the new Municipal Services Facility at 5 Campanelli Drive opened to the community. The relocation of the Municipal Services Facility out of the downtown area will allow for targeted economic growth and expansion of the downtown consistent the newly adopted Historic Mill District. This zoning overlay district is intended to promote the redevelopment of a large area of approximately 100 acres between Main Street, Dundee Park, the Shawsheen River and Whole Foods Grocery Store. This new district will help facilitate a tightly controlled process that is focused on keeping the

character of the central business district, while providing opportunities for new retail, office and housing, expand existing tax base, bolster property values, while expanding the downtown to the regional transit station. The Town is currently reviewing responses to the community-authored RFP that would allow for the disposition of the Old Town Yard. The Town anticipates selecting a development partner by December 2021.

Over the past few years, residential and commercial activity in Andover has remained strong, with the following projects being permitted by the Planning Board:

Currently permitted:

- ☐ 146 Dascomb Road – Major Non-Residential Development of 524,000 sf
- ☐ Ballardvale Fire Station
- ☐ Samuel Way – 3 Lot Subdivision
- ☐ 27-45 Main Street – Planned Development - Mixed Use Development (Restaurants, office, retail, and personal services)
- ☐ 400 Federal Street – 2 Story Addition of 90,616 sf
- ☐ 20 New England Business Center Drive – 16,000 sf accessory building addition
- ☐ 1 Minuteman Road – Planned Development Mixed Use – 24,000 sf multi-use building (Day care, Restaurants, banking and retail)
- ☐ The Bridges – 63 Units of Memory Care
- ☐ Stonehill of Andover – 96 Units of Assisted Living and Memory Care
- ☐ Riverside Woods – 214 Units of housing for 62 and over
- ☐ Merrimack College – 3 Academic Buildings
- ☐ 319 Lowell Street – Garage and restaurant
- ☐ Melmark – 4 Group Homes
- ☐ 5 Campanelli Drive – New Town Yard
- ☐ Frenchman's Reserve-Roberts Drive – 27 Units of town houses
- ☐ 32 Park Street – 9,872 sf office building
- ☐ 89-93 Main Street – New restaurant
- ☐ 1 Burtt Road – Pfizer Addition – 177,680 sf
- ☐ 3, 3R, and 4 Executive Place – 206,975 sf of non-residential
- ☐ Pan Athletic Center, Phillips Academy
- ☐ 7 Tantallon Road – 24-unit multifamily dwelling
- ☐ Aston Court – 2-lot subdivision
- ☐ 305 North Main Street – 24-unit (4 affordable) multifamily dwelling
- ☐ 60 Canterbury Street (Clubview Estates) – 14 units multifamily dwelling

Projects before the Board:

- ☐ 100-400 Brickstone Square – +/- 100,000 square foot GMP Lab Facility Building
- ☐ 140 Haverhill Street – 14,180 square foot development for overnight stay/day clinic
- ☐ 300 Minuteman Road – 224,500 GMP Pharmaceutical Manufacturing
- ☐ 18 William Street – 1 lot subdivision

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Division of Employment and Training, in September 2021, the Town had a total labor force of 18,624 of which 17,834 were employed and 790 or 4.2% were unemployed, as compared with 5.3% for the Commonwealth (unadjusted).

The following table sets forth the Town's average labor force and unemployment rates, as well as the unemployment rates for the Commonwealth and the United States, for the last five calendar years.

UNEMPLOYMENT RATES

Year	Town of Andover		Massachusetts Unemployment	United States Unemployment Rate
	Labor Force	Unemployment Rate		
2020	18,070	6.3 %	8.9 %	8.1 %
2019	19,253	2.3	2.8	3.5
2018	19,009	2.6	3.3	3.9
2017	18,122	3.0	3.7	4.4
2016	17,687	2.9	3.9	4.9

SOURCE: U.S. Bureau of Labor Statistics and Massachusetts Department of Revenue, Division of Local Services. Monthly data are unadjusted.

Building Permits

The table below sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the following calendar years. The estimated dollar values are builders' estimates, which are generally considered to be conservative. The table reflects permits filed and estimated valuations (in thousands) for both private construction and Town projects.

Calendar Year	New Construction				Other (1)		Totals	
	Residential		Non-Residential		No.	Value	No.	Value
	No.	Value	No.	Value				
2021 (2)	9	\$ 7,015	-	\$ -	1,121	\$ 142,776	1,130	\$ 149,791
2020	23	18,828	3	139,942 (3)	2,045	275,034	2,071	433,804
2019	31	30,706	5	14,218	2,433	812,364 (4)	2,469	857,288
2018	46	15,514	4	64,776	1,849	123,106	1,899	203,396
2017	41	52,319 (5)	8	56,387	1,754	151,885	1,803	260,591

(1) Additions and alterations to all types of buildings (including residential), as well as permits for pools, demolitions, signs, and others.

(2) Issued January 1, 2021 through July 25, 2021.

(3) Increase attributable to new fire station and Philips Academy athletic campus.

(4) Increase attributable to multiple tenants fit ups for Shattuck Road, Burt Road, 2 Tech Drive, Minuteman Road and Dascomb Road.

(5) Includes five buildings that include multi-units.

Transportation and Utilities

The principal highways serving the Town include Interstate Route 495, which connects to Interstate 95 and Interstate Route 93. Transportation is available to Andover residents aged sixty and older or handicapped via the Merrimack Valley Regional Transit Authority (MVRTA) to the neighboring communities of Lawrence, North Andover and Methuen. Established trucking firms provide competitive service locally and to long distance points. Commuter rail service to Boston is provided by the Massachusetts Bay Transit Authority (MBTA). Logan International Airport in Boston is about 25 miles south of Andover and Lawrence Municipal Airport in North Andover has two paved runways (5,000 and 3,100 feet long, respectively).

Gas and electric services are provided by established private utilities.

Population, Income and Wealth Levels

The following table shows the median age, median family income and per capita income according to the Federal Census.

	<u>Andover</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2020	41.9	39.4	38.3
2010	42.1	39.1	37.2
2000	39.5	36.5	35.3
1990	36.4	33.6	32.9
Median Family Income:			
2020	\$ 151,334	\$ 81,215	\$ 62,843
2010	139,043	81,165	51,144
2000	104,820	61,664	50,046
1990	70,757	44,367	35,225
Per Capita Income:			
2020	\$ 68,368	\$ 43,761	\$ 34,103
2010	51,194	33,966	27,334
2000	41,133	25,952	21,587
1990	26,327	17,224	14,420

SOURCE: U.S. Bureau of the Census.

POPULATION TRENDS

<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>
36,356	33,201	31,247	29,151

SOURCE: U.S. Bureau of the Census.

PROPERTY TAXATION

Tax Levy Computation

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" below).

The table below illustrates the manner in which the tax levy was determined for the following fiscal years.

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Total Appropriations(1)	\$ 180,171,609	\$ 182,589,655	\$ 192,032,482	\$ 218,808,656	\$ 207,854,150
Additions:					
State and County Assessments	613,417	578,742	836,811	718,202	734,586
Overlay Reserve	907,823	591,466	830,408	1,269,196	706,455
Other Additions	44,964	45,830	46,474	46,721	56,035
Total Additions	1,566,204	1,216,038	1,713,693	2,034,119	1,497,076
Gross Amount to be Raised	181,737,813	183,805,693	193,746,175	220,842,775	209,351,226
Deductions:					
Local Estimated Receipts	27,761,356	28,199,619	29,520,016	30,976,144	31,230,152
State Aid:(2)					
Current Year	13,009,841	12,207,377	12,830,454	13,975,879	13,999,924
Available Funds:(3)					
Free Cash	3,793,000	1,825,000	4,714,000	2,610,000	3,428,870
Other	4,190,255	2,221,136	1,311,422	21,668,876 (4)	1,203,631
Total Deductions	48,754,452	44,453,132	48,375,892	69,230,899	49,862,577
Net Amount to be Raised (Tax Levy)	<u>\$ 132,983,361</u>	<u>\$ 139,352,561</u>	<u>\$ 145,370,283</u>	<u>\$ 151,611,876</u>	<u>\$ 159,488,649</u>

- (1) Includes annual appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold payments pending receipt of State and County assessments.
- (3) Transfers from available funds, including "Free Cash" (see "Free Cash"), generally made as an offset to a particular appropriation item.
- (4) Includes \$19,190,250 of funds the Town received from the Columbia Gas settlement.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years, or pursuant to a revised schedule as may be issue by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Classification came in part in response to a general recognition that, under the prior system of valuation, there were substantial discrepancies in fact between fair cash values and assessed valuations within municipalities and relative discrepancies as between municipalities. The table below sets forth the trend in the Town's assessed valuations, tax rates, tax levies, and tax levies per capita for the following fiscal years.

Assessed Valuations and Tax Rates

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita(1)
				Residential	All Other		
2021	\$ 8,654,639,439	\$ 373,031,118	\$ 9,027,670,557	\$ 15.29	\$ 28.09	\$ 159,488,649	4,804
2020 (2)	8,480,169,966	318,839,379	8,799,009,345	15.01	27.14	151,611,876	4,566
2019	8,070,555,017	250,782,409	8,321,337,426	15.27	27.51	145,370,283	4,378
2018	7,544,162,606	255,067,239	7,799,229,845	15.64	27.61	139,352,561	4,197
2017	7,370,684,260	294,625,929	7,665,310,189	15.18	26.46	132,983,361	4,005

(1) Based on 2010 U.S. Bureau of the Census figure.

(2) Revaluation year.

Property Classification

The table below shows the breakdown of the Town's assessed valuation for the following fiscal years by class.

Property Type	2019		2020 (1)		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 6,818,924,895	81.9 %	\$ 7,175,327,051	81.5 %	\$ 7,340,698,246	81.3 %
Commercial	605,393,222	7.3	629,857,515	7.2	632,912,993	7.0
Industrial	639,205,100	7.7	674,985,400	7.7	681,028,200	7.5
Open Space	7,031,800	0.1	-	-	-	-
Personal	250,782,409	3.0	318,839,379	3.6	373,031,118	4.1
	<u>\$ 8,321,337,426</u>	<u>100.0 %</u>	<u>\$ 8,799,009,345</u>	<u>100.0 %</u>	<u>\$ 9,027,670,557</u>	<u>100.0 %</u>

(1) Revaluation year.

Largest Taxpayers

The following is a list of the ten largest taxpayers in the Town based upon taxes assessed for fiscal 2021. All of the taxpayers listed below are current in their tax payments.

Name	Property Type	Total Taxable Real and Personal	Total Tax Assessed	Percent of Total Levy
Columbia Gas of Mass.	Personal Property	\$97,591,780	\$2,741,353	1.72 %
Genetics Institute, Inc. (Pfizer)	Industrial	90,627,300	2,545,721	1.60
Raytheon Company	Industrial/Residential	77,976,950	2,190,373	1.37
Whetstone	Commercial/Industrial	75,537,900	2,121,860	1.33
Mass Electric Co.	Industrial/Utility	72,161,000	2,080,535	1.30
New Brickstone Office LLC	Office	66,667,600	1,861,892	1.17
Atlantic-Minuteman Realty LLC	Research & Development	55,788,700	1,567,105	0.98
Hewlett Packard Enterprise Co.	Industrial	47,122,390	1,323,668	0.83
Schneider Electric Buildings LLC	Research & Development	38,748,490	1,088,445	0.68
Proctor & Gamble (Gillette)	Industrial	38,377,600	1,078,027	0.68
Total		<u>\$ 660,599,710</u>	<u>\$ 18,598,978</u>	<u>11.66 %</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the Town of Andover.

January 1,	State Equalized Valuation	% Change
2020	\$ 9,328,654,100	10.36 %
2018	8,453,211,200	6.02
2016	7,972,993,500	11.97
2014	7,120,772,800	(2.36)
2012	7,292,906,600	(1.52)
2010	7,405,664,700	(4.53)
2008	7,757,246,999	5.49

Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved as reasonable by the Commissioner of Revenue for an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the resultant "overlay deficit" is required to be added to the next tax levy. Any balance in the overlay account, in excess of the amount of the warrant remaining to be collected or abated, is transferred to a reserve fund to be used for extraordinary or unforeseen expenses. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

Overlay Reserve and Abatements and Exemptions

The table below sets forth the amount of the overlay reserve for the last five fiscal years, and actual abatements and exemptions granted through June 30, 2021, against the respective fiscal year's levy.

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted Through June 30, 2021
		Dollar Amount	As a % of Net Levy	
2021	\$ 158,782,194	\$ 706,455	0.44 %	\$ 380,104
2020	150,342,680	1,269,196	0.84	565,036
2019	144,539,875	830,408	0.57	706,483
2018	138,761,095	591,466	0.43	589,663
2017	132,075,538	907,823	0.69	596,631

(1) Tax levy prior to addition of overlay reserve.

Tax Collections

The Town has instituted quarterly tax billings, with tax bills payable August 1, November 1, February 1, and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The table below compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the following fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable(1)(2)	
				Dollar Amount	% of Net Levy
2021	\$ 159,488,649	\$ 706,455	\$ 158,782,194	\$ 159,697,847	100.58 %
2020	151,611,876	1,269,196	150,342,680	151,320,887	100.65
2019	145,370,283	830,408	144,539,875	143,644,751	99.38
2018	139,352,561	591,466	138,761,095	137,531,040	99.11
2017	132,983,361	907,823	132,075,538	131,568,459	99.62

(1) Actual dollar collections net of refunds. Does not include abatements proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

(2) Collections for the current fiscal year are comparable to previous fiscal years.

Tax Titles and Foreclosures

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the land court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

The following table sets forth the amount of tax titles and possessions as of the end of each of the following fiscal years.

<u>Fiscal Year</u>	<u>Total Tax Titles and Foreclosures</u>
2021	\$ 3,017,492
2020	2,852,961
2019	2,708,252
2018	2,272,628
2017	2,086,440

Taxation to Meet Deficits

As noted elsewhere (see "*Abatements and Overlay*" above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2 ½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a 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 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The Town has been in full compliance with Proposition 2 1/2 since its inception. Under the law as now written, the current and future levies may increase by up to 2 1/2% of the maximum levy limit for the previous fiscal year, plus by any amounts voted for override and debt exclusion, or "new" valuations or "real" valuation increases of 50% or more.

On May 17, 1994, the Town voted to exempt from the restrictions of Proposition 2½ the debt service from \$38,500,000 bonds authorized for the construction and reconstruction of the high school and two elementary schools and \$2,000,000 for the installation of a technology system.

On May 23, 2000, the Town voted to exempt from the restrictions of Proposition 2½ the debt service from \$34,455,000 bonds authorized for the construction of a new middle school and a new elementary school and from \$12,900,000 bonds authorized for the construction and reconstruction of the Public Safety Complex.

On January 25, 2011, the Town voted to exempt from the restrictions of Proposition 2½ the debt service from \$43,835,000 bonds authorized for the construction of the Bancroft Elementary School and \$825,000 for the feasibility study of such school. In addition, \$4,235,538 of the \$5,715,000 additional Bancroft School bonds authorized on February 11, 2013 have been approved for issuance as exempt from Proposition 2 ½.

In January, 2021 the Town received special legislation to issue pension obligation bonds. In June 2021 the Town voted to exempt from the restrictions of Proposition 2 ½ debt service from \$87,500,000 of such bonds authorized for the reduction of the Town's unfunded pension liability.

Also in June 2021 the Town voted to exempt from the restrictions of Proposition 2 ½ the debt service from \$151,661,968 authorized for the construction of a new West Elementary and Shawsheen Pre-School. It is anticipated that the Town will receive approximately \$38,000,000 from the Massachusetts School Building Authority for reimbursement of eligible costs.

The following table presents the Town's primary levy limits, its maximum levy limits, and its actual tax levies for the following fiscal years.

Tax Levies and Tax Levy Limits (1)

	Fiscal Year				
	2021	2020	2019	2018	2017
Primary Levy Limit (2)	\$ 225,691,764	\$ 219,975,234	\$ 208,033,436	\$ 194,980,746	\$ 191,632,755
Prior Fiscal Year Levy Limit	150,531,622	142,600,951	136,417,582	130,709,372	124,996,152
2.5% Levy Growth	3,763,291	3,565,024	3,410,440	3,267,734	3,124,904
New Growth (3)	2,748,398	4,365,647	2,772,929	2,440,476	2,588,316
Overrides	-	-	-	-	-
Growth Levy Limit	157,043,311	150,531,622	142,600,951	136,417,582	130,709,372
Debt Exclusions	3,530,110	3,782,989	3,902,896	4,040,852	3,597,424
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	160,573,421	154,314,611	146,503,847	140,458,434	134,306,796
Tax Levy	159,488,649	151,611,876	145,370,283	139,352,561	132,983,360
Unused Levy Capacity (4)	1,084,772	2,702,735	1,133,564	1,105,873	1,323,436
Unused Primary Levy Capacity (5)	\$ 68,648,453	\$ 69,443,612	\$ 65,432,485	\$ 58,563,164	\$ 60,923,383

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. The Town has not created any such districts.

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY

TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after five years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy. The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

In April 2007, Town Meeting voted to include a ballot question on the March 2008 town election warrant to see if the voters would accept the Act and approve a one percent surcharge. The vote did not pass.

TOWN FINANCES

Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in April. Appropriations may also be voted at special meetings. The Town has a finance committee, which submits reports and recommendations on proposed expenditures at Town Meetings. School committees are no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the amount appropriated by the Town Meeting.

Mandatory Items: Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the appropriations voted at town meeting.

Enterprises: The Town's water and sewer services are operated as enterprises, under Chapter 44 Section 53F1/2 of the General Laws. The budgets for the Water and Sewer Departments are voted on as separate items at each Annual Town Meeting. Any operating surpluses generated by the Departments are retained at the end of each fiscal year within the respective Departments. The Water and Sewer rates are set by the Board of Selectmen. The Town initiated the water and sewer enterprise funds in fiscal 1996.

Revenues: Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION-Tax Levy Computation".)

Operating Budget Trends

The following table sets forth the operating budgets for fiscal years 2018 through 2022 as voted by the Annual Town Meetings. Said budgets exclude Mandatory Items (see above) and expenditures for "non-operating" or extraordinary items authorized under "special" warrant articles at special town meetings.

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
General Government (1)	\$ 10,126,319	\$ 10,762,349	\$ 11,079,029	\$ 11,616,471	\$ 11,826,929
Facility Maintenance (2)	7,900,919	7,041,795	7,736,443	5,740,407	6,843,786
Public Safety	16,056,288	17,021,770	17,354,029	17,974,915	18,309,886
Public Works	15,466,298	16,542,192	17,071,485	18,047,110	18,811,735
Library Services	2,667,522	2,829,092	2,844,388	2,915,530	2,982,397
Education (3)	79,753,171	83,138,958	86,576,957	89,986,700	93,393,452
Debt Service	14,048,907	14,568,902	15,149,625	16,873,972	16,395,774
Retirement	9,428,488	10,371,338	11,410,355	13,610,301	12,897,390
Unclassified (4)	21,582,473	23,206,666	24,134,874	25,355,181	26,243,488
Compensation Fund (5)	1,140,000	-	590,000	174,718	155,326
Reserve Fund	200,000	200,000	200,000	200,000	200,000
Total Expenditures	<u>\$ 178,370,385</u>	<u>\$ 185,683,062</u>	<u>\$ 194,147,185</u>	<u>\$ 202,495,305</u>	<u>\$ 208,060,163</u>

(1) Includes community services.

(2) Fiscal 2022 includes \$3,010,000 in additional funds to the capital project fund.

(3) Includes Greater Lawrence Technical School and Essex North Shore Agricultural & Technical School District assessments.

(4) Includes health insurance.

(5) Reserve for Town (non-school) union and non-union salary adjustments.

Revenues

Property Taxes: Property taxes are a major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "PROPERTY TAXATION-Tax Limitations", above. There is litigation in the Commonwealth claiming that the system of financing public education, with its heavy reliance on the property tax, is unconstitutional because it is based on the wealth of the municipality in which the student lives.

State Aid: The Town's state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate. The Town received \$13,939,807 in fiscal 2021.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for the non-renewal of registration and operating licenses by the registrar of motor vehicles. Motor vehicle excise tax receipts totaled \$6,193,357 in fiscal 2021.

Water Rates and Services: It is the policy of the Town that the water utilities in the Town be self-sufficient and free from dependence on property tax dollars for their capital cost, operating expense, treatment expense and debt service. To reinforce this policy the Town established an enterprise fund for the water system effective July 1, 1995. Water revenues were \$11,175,046 in fiscal 2021 while total water expenses including debt service, insurance and pensions were \$11,871,845 (See Appendix A for additional information).

The water rates are as follows:

		<u>Current</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.00 - 12.00 HCF/Quarterly billing	Tier 1	\$ 3.36	\$ 3.53	\$ 3.71	\$ 3.90
12.01-36.00 HCF/Quarterly billing	Tier 2	\$ 3.70	\$ 3.88	\$ 4.08	\$ 4.28
>36.01 HCF	Tier 3	\$ 4.04	\$ 4.24	\$ 4.45	\$ 4.67

Sewer Rates and Services: It also is the policy that the sewer utilities in the Town be self-sufficient and free from dependence on property tax dollars for their capital costs, operating expenses, debt service and wastewater treatment expense. To reinforce this policy the Town established an enterprise fund for the sewer system effective July 1, 1996. (See Appendix A for additional information.) Sewer revenues totaled \$5,811,267 in fiscal 2021, while sewer expenses, including debt service, pensions and insurance, totaled approximately \$5,571,610.

The sewer rates are as follows:

		<u>Current</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
0.00 - 12.00 HCF/Quarterly billing	Tier 1	\$ 3.97	\$ 4.07	\$ 4.17	\$ 4.27
12.01-36.00 HCF/Quarterly billing	Tier 2	\$ 4.37	\$ 4.48	\$ 4.59	\$ 4.70
>36.01 HCF	Tier 3	\$ 4.77	\$ 4.89	\$ 5.01	\$ 5.14

Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turns pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town has levied the full 6% as permitted under the law. The Town received distributions from this tax in fiscal 2021 in the amount of \$699,991.

Other: Other major sources of revenue included departmental fees, fines, charges and investment income of \$7,625,923 in fiscal 2021.

State Distributions

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

State School Building Assistance Program

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The Authority began accepting new applications for new projects on July 1, 2007. The range of reimbursement rates for such projects has been reduced to between 40% and 80% of approved project costs. The Authority recently promulgated new regulations with respect to the application and approval process for new projects. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Investment of Town Funds

All funds of the Town, except for trust funds and funds of the Andover Retirement System, are invested in accordance with Section 55 of Chapter 44 of the Massachusetts General Laws (MGL). This section permits investment of available funds and bond and note proceeds, in term deposits and Certificates of Deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of one year or less, in repurchase agreements secured by federal or federal agency securities with a maturity of 90 days or less, in participation units in the Massachusetts Municipal Depository Trust (MMDT), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole Trustee, and the fund is managed under contract by Fidelity Management Company, of Boston under supervision of the State Treasurer's office. According to the State Treasurer the MMDT's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44 of the MGL, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to the Town and the System.

A breakdown of the above investments may be obtained from the Town Treasurer. Pension funds are under the jurisdiction of the System. Investments from the System are discussed in Appendix A.

Audits

The Town's accounts were most recently audited for the fiscal year ended June 30, 2020 by Powers & Sullivan, Certified Public Accountants, a copy of which is attached hereto as Appendix A. Previous audits have been performed by Powers & Sullivan for fiscal years since 1996, copies of which are available upon request at the office of the Town Accountant. A similar audit for fiscal 2021 is currently underway and is expected to be complete by January 2022.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages for the Town of Andover are Governmental Funds Balance Sheets for fiscal years 2020, 2019 and 2018, Statements of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2020, 2019, 2018, 2017 and 2016. Said financials were extracted from the Town's audited financial statements.

Estimated FY21 Year End Results

The Town expects to close FY21 on a positive note. FY21 revenue projections were very conservative due to the uncertainty of the economic recovery from COVID-19. The budget for Hotel/Motel Tax was reduced by 64% and the Meals Tax revenue budget was reduced by 25% from FY20 as these budgets are directly tied to the health of the economy. General Fund revenue collections exceeded budget by \$1.4 million with strong collections for Real Estate and Personal Property Taxes, Motor Vehicle Excise Tax and Licenses and Permits. The Town received the budgeted amount of State Aid.

A conservative approach was also taken relating to budgeted General Fund expenditures. General Fund expenditure budgets rose only slightly to cover the increasing costs of labor and materials. Unspent appropriations totaled \$1.37 million. The Town used available COVID-19 grant funding whenever possible to cover eligible costs.

Town Meeting voted to use free cash to supplement the FY21 snow and ice budget, to fund a number of capital projects and for Information Technology initiatives totaling \$3.4 million. Therefore, it is expected that fund balance will show a slight decrease from FY20 even though collections were good and expenditure spending was under budget.

TOWN OF ANDOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2020 (1)

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 28,251,565	\$ -	\$ 12,381,387	\$ 1,641,615	\$ 29,762,772	\$ 72,037,339
Investments	5,668,575	-	-	-	1,303,456	6,972,031
Receivables, Net of Uncollectibles:						
Real Estate and Personal Property Taxes	2,197,660	-	-	-	-	2,197,660
Tax Liens	2,593,869	-	-	-	-	2,593,869
Motor Vehicle and Other Excise Taxes	505,948	-	-	-	-	505,948
Departmental and Other	602,438	-	-	-	61,962	664,400
Intergovernmental	-	3,239,923	-	-	731,991	3,971,914
Tax Foreclosures	259,092	-	-	-	-	259,092
Due from other funds	145,253	-	-	-	-	145,253
TOTAL ASSETS	\$ 40,224,400	\$ 3,239,923	\$ 12,381,387	\$ 1,641,615	\$ 31,860,181	\$ 89,347,506
LIABILITIES						
Warrants Payable	\$ 1,317,105	\$ 64,964	\$ 51,031	\$ -	\$ 1,775,239	\$ 3,208,339
Accrued Payroll	7,262,522	956	-	-	187,702	7,451,180
Tax Refunds Payable	241,000	-	-	-	-	241,000
Due to other funds	-	52,896	-	-	92,357	145,253
Other Liabilities	44,817	-	-	-	191,069	235,886
Unearned revenue	-	-	-	-	174,330	174,330
Notes payable	-	-	-	-	3,061,000	3,061,000
TOTAL LIABILITIES	8,865,444	118,816	51,031	-	5,481,697	14,516,988
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	5,502,297	3,121,107	-	-	57,154	8,680,558
FUND BALANCES						
Nonspendable	-	-	-	-	1,266,307	1,266,307
Restricted	453,580	-	12,330,356	1,641,615	25,745,971	40,171,522
Committed	1,189,420	-	-	-	-	1,189,420
Assigned	1,490,233	-	-	-	-	1,490,233
Unassigned	22,723,426	-	-	-	(690,948)	22,032,478
Total Fund Balances	25,856,659	-	12,330,356	1,641,615	26,321,330	66,149,960
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,224,400	\$ 3,239,923	\$ 12,381,387	\$ 1,641,615	\$ 31,860,181	\$ 89,347,506

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2019 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS BALANCE SHEET AS OF JUNE 30, 2018 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE AS OF JUNE 30, 2020 (1)

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds	\$ 150,883,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,883,719
Tax Liens	224,975	-	-	-	-	-	224,975
Motor vehicle and other excise taxes	5,962,010	-	-	-	-	-	5,962,010
Hotel/motel tax	1,807,513	-	-	-	-	-	1,807,513
Meals tax	601,416	-	-	-	-	-	601,416
Charges for services	-	-	-	-	-	943,623	943,623
Penalties and Interest on taxes	557,100	-	-	-	-	-	557,100
Licenses and Permits	3,209,427	-	-	-	-	-	3,209,427
Intergovernmental - School Building Authority	-	-	-	-	-	246,352	246,352
Intergovernmental - Teachers Retirement	22,893,211	-	-	-	-	-	22,893,211
Intergovernmental	14,610,563	1,474,558	-	-	-	6,537,874	22,622,995
Intergovernmental - COVID-19 Relief	-	-	-	-	-	406,209	406,209
Departmental and other	3,054,664	-	-	-	-	7,579,822	10,634,486
Contributions and donations	-	-	-	-	-	310,926	310,926
Investment Income	1,243,960	-	-	-	-	150,589	1,394,549
TOTAL REVENUES	205,048,558	1,474,558	-	-	-	16,175,395	222,698,511
EXPENDITURES:							
Current:							
General Government	8,126,941	-	-	-	-	1,218,102	9,345,043
Public Safety	17,374,975	-	-	-	-	1,410,592	18,785,567
Education	86,265,645	-	-	-	-	9,006,831	95,272,476
Public Works	8,761,779	1,474,558	-	-	-	75,037	10,311,374
Public Facilities	2,997,781	-	-	-	-	194,213	3,191,994
Community Services	2,165,296	-	-	-	-	1,840,661	4,005,957
Library	2,684,045	-	-	-	-	68,710	2,752,755
COVID-19	-	-	-	-	-	406,209	406,209
Pension Benefits	10,970,247	-	-	-	-	-	10,970,247
Pension Benefits - Teachers Retirement	22,893,211	-	-	-	-	-	22,893,211
Property and liability insurance	1,064,473	-	-	-	-	-	1,064,473
Employee Benefits	22,642,514	-	-	-	-	-	22,642,514
State and County Charges	769,672	-	-	-	-	-	769,672
Capital outlay	-	-	-	-	-	12,803,744	12,803,744
Debt Service:							
Principal	7,014,124	-	-	-	-	-	7,014,124
Interest	3,373,838	-	-	-	-	-	3,373,838
TOTAL EXPENDITURES	197,104,541	1,474,558	-	-	-	27,024,099	225,603,198
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,944,017	-	-	-	-	(10,848,704)	(2,904,687)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds	-	-	-	-	-	4,873,000	4,873,000
Premium from issuance of bonds	-	-	-	-	-	347,824	347,824
Transfers in	405,405	-	-	-	-	5,682,333	6,087,738
Transfers out	(3,963,698)	-	-	(700,000)	(645,765)	(778,275)	(6,087,738)
TOTAL OTHER FINANCING SOURCES (USES)	(3,558,293)	-	-	(700,000)	(645,765)	10,124,882	5,220,824
EXTRAORDINARY ITEMS:							
Gas disaster reimbursements	-	-	-	-	41,478	-	41,478
Gas disaster expenses	-	-	(2,234,644)	(58,385)	(42,398)	-	(2,335,427)
TOTAL EXTRAORDINARY ITEMS	-	-	(2,234,644)	(58,385)	(920)	-	(2,293,949)
Net Change in Fund Balances	4,385,724	-	(2,234,644)	(758,385)	(646,685)	(723,822)	22,188
FUND BALANCES AT BEGINNING OF YEAR	21,470,935	-	14,565,000	2,400,000	646,685	27,045,152	66,127,772
FUND BALANCES AT END OF YEAR	\$ 25,856,659	\$ -	\$ 12,330,356	\$ 1,641,615	\$ -	\$ 26,321,330	\$ 66,149,960

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE AS OF JUNE 30, 2019 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE AS OF JUNE 30, 2018 (1)

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

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE AS OF JUNE 30, 2017 (1)

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds	\$ 133,498,869	\$ -	\$ -	\$ -	\$ 133,498,869
Tax Liens	184,371	-	-	-	184,371
Motor vehicle excise taxes	5,861,936	-	-	-	5,861,936
Hotel/motel tax	2,004,253	-	-	-	2,004,253
Meals tax	583,007	-	-	-	583,007
Charges for services	-	-	-	148,772	148,772
Penalties and Interest on taxes	417,131	-	-	-	417,131
Fees	-	-	-	399,999	399,999
Licenses and Permits	3,300,961	-	-	-	3,300,961
Intergovernmental	30,013,279	1,240,208	-	6,352,333	37,605,820
Departmental and other	3,248,750	-	-	8,644,178	11,892,928
Contributions	-	-	-	169,161	169,161
Investment Income	108,899	-	-	90,977	199,876
TOTAL REVENUES	\$ 179,221,456	\$ 1,240,208	\$ -	\$ 15,805,420	\$ 196,267,084
EXPENDITURES:					
Current:					
General Government	7,286,135	-	-	1,277,681	8,563,816
Public Safety	15,581,150	-	-	1,739,148	17,320,298
Education	76,721,520	-	-	10,567,503	87,289,023
Municipal Services	11,315,833	1,240,208	-	1,212,068	13,768,109
Community Services	1,981,073	-	-	1,315,918	3,296,991
Library	2,597,026	-	-	108,585	2,705,611
Pension Benefits	24,870,902	-	-	-	24,870,902
Property and liability insurance	1,184,199	-	-	-	1,184,199
Employee Benefits	19,024,326	-	-	-	19,024,326
State and County Charges	598,992	-	-	-	598,992
Capital outlay	-	-	2,696,222	6,817,582	9,513,804
Debt Service:					
Principal	7,097,104	-	-	-	7,097,104
Interest	2,529,536	-	-	-	2,529,536
TOTAL EXPENDITURES	\$ 170,787,796	\$ 1,240,208	\$ 2,696,222	\$ 23,038,485	\$ 197,762,711
Excess (Deficit) of Revenues Over (Under) Expenditures	8,433,660	-	(2,696,222)	(7,233,065)	(1,495,627)
Other Financing Sources (Uses):					
Issuance of bonds	-	-	950,000	1,173,300	2,123,300
Premium from issuance of bonds	-	-	105,500	109,300	214,800
Transfers in	935,272	-	393,789	5,264,000	6,593,061
Transfers out	(4,839,007)	-	-	(1,754,054)	(6,593,061)
TOTAL OTHER FINANCING SOURCES (USES)	(3,903,735)	-	1,449,289	4,792,546	2,338,100
Net Change in Fund Balances	4,529,925	-	(1,246,933)	(2,440,519)	842,473
FUND BALANCES, BEGINNING OF YEAR	17,371,350	-	1,800,363	19,549,366	38,721,079
FUND BALANCES, AT END OF YEAR	\$ 21,901,275	-	\$ 553,430	\$ 17,108,847	\$ 39,563,552

(1) Extracted from the audited financial statements of the Town.

TOWN OF ANDOVER, MASSACHUSETTS
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE AS OF JUNE 30, 2016 (1)

	General	Highway Construction	School Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds	\$ 126,180,460	\$ -	\$ -	\$ -	\$ 126,180,460
Tax Liens	112,773	-	-	-	112,773
Motor vehicle excise taxes	5,700,798	-	-	-	5,700,798
Hotel/motel tax	1,747,841	-	-	-	1,747,841
Meals tax	570,252	-	-	-	570,252
Charges for services	-	-	-	172,129	172,129
Penalties and Interest on taxes	400,186	-	-	-	400,186
Fees	-	-	-	397,116	397,116
Licenses and Permits	3,090,707	-	-	6,010,350	9,101,057
Intergovernmental	25,646,105	804,355	35,000	8,314,475	34,799,935
Departmental and other	3,251,088	-	-	320,690	3,571,778
Contributions	-	-	-	64,377	64,377
Investment Income	190,198	-	-	-	190,198
TOTAL REVENUES	\$ 166,890,408	\$ 804,355	\$ 35,000	\$ 15,279,137	\$ 183,008,900
EXPENDITURES:					
Current:					
General Government	7,096,980	-	-	817,484	7,914,464
Public Safety	15,553,538	-	-	1,866,957	17,420,495
Education	73,748,957	-	-	9,422,019	83,170,976
Municipal Services	10,071,029	804,355	-	196,499	11,071,883
Community Services	1,975,777	-	-	1,424,575	3,400,352
Library	20,014,421	-	-	148,520	20,162,941
Pension Benefits	2,715,688	-	-	-	2,715,688
Property and liability insurance	733,618	-	-	-	733,618
Employee Benefits	17,420,680	-	-	-	17,420,680
State and County Charges	649,170	-	-	-	649,170
Capital outlay	-	-	2,268,833	8,515,654	10,784,487
Debt Service:					
Principal	8,096,050	-	-	-	8,096,050
Interest	2,895,359	-	-	-	2,895,359
TOTAL EXPENDITURES	\$ 160,971,267	\$ 804,355	\$ 2,268,833	\$ 22,391,708	\$ 186,436,163
Excess (Deficit) of Revenues Over (Under) Expenditures	5,919,141	-	(2,233,833)	(7,112,571)	(3,427,263)
Other Financing Sources (Uses):					
Issuance of bonds	-	-	1,399,500	1,526,400	2,925,900
Transfers in	760,438	-	1,277,393	8,149,556	10,187,387
Transfers out	(9,329,916)	-	-	(857,471)	(10,187,387)
TOTAL OTHER FINANCING SOURCES (USES)	(8,569,478)	-	2,676,893	8,818,485	2,925,900
Net Change in Fund Balances	(2,650,337)	-	443,060	1,705,914	(501,363)
FUND BALANCES, BEGINNING OF YEAR	20,021,687	-	1,357,303	17,843,452	39,222,442
FUND BALANCES, AT END OF YEAR	\$ 17,371,350	-	\$ 1,800,363	\$ 19,549,366	\$ 38,721,079

(1) Extracted from the audited financial statements of the Town.

Unassigned General Fund Balances and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy.

Under the Uniform System of Accounting prescribed by The Commonwealth of Massachusetts Department of Revenue, subject to certain adjustments, free cash is defined as Surplus Revenue (unreserved general fund balance in the Town's case) less uncollected and overdue property taxes from prior years. The table below sets forth the amount of Free Cash for the following fiscal years.

The following table sets forth the trend in the Town's unassigned general fund balance and free cash at the end of the last five fiscal years.

<u>Fiscal Year</u>	<u>Unassigned General Fund Balance (1)</u>	<u>Free Cash</u>
2021	N.A.	\$ 8,234,238 (est.)
2020	\$ 22,723,426	9,360,482
2019	18,495,850	9,563,348
2018	17,887,242	8,807,910
2017	17,826,724	8,912,647

(1) Source: Audited Financial Statements.

Stabilization Fund

The Town maintains a stabilization fund which is accounted for in the Trust Funds. Funded by an annual appropriation, the stabilization fund plus interest income may be appropriated at an annual or special town meeting for any municipal purpose.

The table below lists the Stabilization Fund balances as of the end of the following fiscal years.

<u>Fiscal Year</u>	<u>Stabilization Fund</u>
2021	\$ 7,666,637
2020	7,717,195
2019	7,602,807
2018	7,513,579
2017	7,542,388

Additional Funds Available for Appropriation

The Town maintains additional funds which are accounted for in the Trust Funds. The interest income may be appropriated at an annual or special town meeting for any municipal purpose. The William Wood Fund, so-called, was established as an unrestricted gift in 1973. At the 2013 Annual Town Meeting the Town voted to create two new accounts to which the balance of the above-mentioned funds was appropriated. The Town established a Senior Center Programs fund and a Youth Center Building fund, each with a balance of approximately \$700,000 as of June 30, 2014. As of June 30, 2020, the balances in the Senior Center Programs Fund and Youth Center Building Fund were \$13,337 and \$13,429 respectively. As of June 30, 2021, the balances in the Senior Center Programs Fund and Youth Center Building Fund were \$1,433 and \$13,558 respectively. Since fiscal 2017, Phillips Academy has contributed sums to the Town as general fund revenue. The fiscal 2021 contribution was \$435,420 and fiscal 2022 contribution is expected to be approximately \$451,095.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has a TIF agreement with Pfizer which was approved in 2016 and a TIF agreement with VICOR approved in April 2019.

INDEBTEDNESS

Authorization Procedure and Limitations

Bonds and notes are generally authorized on behalf of the Town by a two-thirds vote of the Town Meeting. Provision is made in some cities and towns for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the selectmen. Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of certain state and county reimbursements are generally authorized by majority vote but provision is made for temporary loans in anticipation of current revenues and federal grants and for other purposes in certain circumstances without town meeting authorization.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

The general debt limit of the Town of Andover consists of a normal debt limit and a double debt limit. The normal debt limit is five percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with state administrative approval.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, water bonds, bonds for electric, gas and telecommunications purposes, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financings. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

Direct Debt Summary As of June 30, 2021

General Obligation Bonds:

Outstanding:

Water (1)	\$ 24,377,371
Sewer (2)	7,958,850
School (3)	35,311,600
General (4)	40,577,700
Land Acquisition	<u>2,595,250</u>

Total Long Term Outstanding	<u>\$ 110,820,771</u>	\$ 110,820,771
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This Issue of Pension Obligation Bonds	165,000,000	
Pending Tax Exempt Bonds Dated 12/16/21	<u>25,885,000</u>	

Short Term Indebtedness:

Bond Anticipation Notes (5)	4,647,000
Less:	
To Be Retired with Revenue Funds	(1,574,458)
To Be Retired with 12/16/21 Tax-Exempt Bond Proceeds	<u>(3,072,542)</u>

Total Short Term Outstanding:	<u>-</u>	
Total Direct Debt:		<u><u>\$ 301,705,771</u></u>

- (1) Self-supporting through enterprise fund revenues. \$21,733,558 is outside the debt limit.
(2) Self-supporting through enterprise fund revenues.
(3) \$20,582,000 is outside the debt limit. \$21,207,000 is exempt from the limits on Proposition 2 ½.
(4) \$1,060,000 is outside the debt limit. \$250,000 is exempt from the limits on Proposition 2 ½.
(5) Payable December 17, 2021.

Debt Ratios

The table below sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the following fiscal years. The table considers the principal amount of general obligation bonds and serial notes of the Town of Andover. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary").

Fiscal Year End	General Obligation Bonds Outstanding	2020 Federal Census Population	State Equalized Valuation	Per Capita Debt	Ratio Debt to Equalized Valuation
2021	\$ 110,820,771	36,356	\$ 9,328,654,100	\$ 3,048	1.19 %
2020	108,745,619	36,356	8,453,211,200	2,991	1.29
2019	108,375,562	36,356	8,453,211,200	2,981	1.28
2018	103,254,424	36,356	7,972,993,500	2,840	1.30
2017	97,892,326	36,356	7,972,993,500	2,693	1.23

Principal Payments by Purpose

The following table sets forth the principal payments by purpose on outstanding bonds of the Town. As indicated in the table, of the total \$110,820,771 bonds outstanding, \$46,176,981 or approximately 41.7% of the total outstanding are to be paid by the end of fiscal 2026 and \$75,980,820 or approximately 68.6% of the debt will be retired at the end of fiscal 2031.

As of June 30, 2021 (1)						
Fiscal Year	Water (2)	Sewer (3)	School (4)	General (5)	Land Acquisition	Total Outstanding
2022	\$ 2,169,940	\$ 1,842,300	\$ 3,614,700	\$ 2,761,800	\$ 415,000	\$ 10,803,740
2023	2,105,435	1,431,300	3,620,500	2,203,200	415,000	9,775,435
2024	2,092,261	1,200,800	3,240,900	2,178,300	410,000	9,122,261
2025	1,893,623	865,850	3,221,000	2,173,500	355,250	8,509,223
2026	1,651,322	780,600	3,210,900	2,028,500	295,000	7,966,322
2027	1,654,560	780,800	3,008,300	2,014,900	240,000	7,698,560
2028	1,194,501	491,500	2,880,300	1,828,200	175,000	6,569,501
2029	1,071,242	215,700	2,630,000	1,649,300	70,000	5,636,242
2030	1,029,257	110,000	2,345,000	1,570,000	60,000	5,114,257
2031	1,030,279	110,000	2,115,000	1,475,000	55,000	4,785,279
2032	1,031,318	75,000	2,010,000	1,365,000	35,000	4,516,318
2033	1,022,376	55,000	1,900,000	1,240,000	35,000	4,252,376
2034	833,452	-	1,175,000	1,230,000	35,000	3,273,452
2035	669,546	-	150,000	1,090,000	-	1,909,546
2036	670,659	-	100,000	1,090,000	-	1,860,659
2037	629,816	-	60,000	1,070,000	-	1,759,816
2038	630,056	-	15,000	1,090,000	-	1,735,056
2039	630,297	-	15,000	1,030,000	-	1,675,297
2040	525,537	-	-	1,010,000	-	1,535,537
2041	220,778	-	-	1,045,000	-	1,265,778
2042	161,020	-	-	1,075,000	-	1,236,020
2043	161,261	-	-	1,110,000	-	1,271,261
2044	161,503	-	-	1,150,000	-	1,311,503
2045	161,746	-	-	1,195,000	-	1,356,746
2046	161,989	-	-	1,235,000	-	1,396,989
2047	162,232	-	-	1,270,000	-	1,432,232
2048	162,475	-	-	1,310,000	-	1,472,475
2049	162,719	-	-	570,000	-	732,719
2050	162,963	-	-	380,000	-	542,963
2051	163,208	-	-	140,000	-	303,208
Total	\$ 24,377,371	\$ 7,958,850	\$ 35,311,600	\$ 40,577,700	\$ 2,595,250	\$ 110,820,771

- (1) Excludes temporary loans, overlapping debt, lease purchase agreements, unfunded pension liability and other post-employment benefits liability.
- (2) Self-supporting through enterprise fund revenues. \$21,733,558 is outside the debt limit.
- (3) Self-supporting through enterprise fund revenues.
- (4) \$20,582,000 is outside the debt limit. \$21,207,000 is exempt from the limits on Proposition 2 ½.
- (5) \$1,060,000 is outside the debt limit. \$250,000 is exempt from the limits on Proposition 2 ½.

Debt Service Requirements

The following table sets forth the required principal and interest payments on all general obligation debt of the Town as of June 30, 2021.

GENERAL OBLIGATION BONDS AND SERIAL NOTES Debt Service Requirements As of June 30, 2021 (1)

Fiscal Year	Total Principal	Total Interest	Total Principal and Interest
2022	\$ 10,803,740	\$ 3,967,410	\$ 14,771,150
2023	9,775,435	3,394,842	13,170,277
2024	9,122,261	3,012,311	12,134,572
2025	8,509,223	2,642,315	11,151,538
2026	7,966,322	2,283,633	10,249,955
2027	7,698,560	1,976,813	9,675,373
2028	6,569,501	1,700,803	8,270,304
2029	5,636,242	1,479,197	7,115,439
2030	5,114,257	1,287,104	6,401,361
2031	4,785,279	1,118,478	5,903,757
2032	4,516,318	972,056	5,488,374
2033	4,252,376	838,924	5,091,300
2034	3,273,452	707,210	3,980,662
2035	1,909,546	603,976	2,513,522
2036	1,860,659	552,453	2,413,112
2037	1,759,816	502,250	2,262,066
2038	1,735,056	452,700	2,187,756
2039	1,675,297	404,325	2,079,622
2040	1,535,537	359,525	1,895,062
2041	1,265,778	321,025	1,586,803
2042	1,236,020	286,063	1,522,083
2043	1,271,261	250,794	1,522,055
2044	1,311,503	214,188	1,525,691
2045	1,356,746	175,763	1,532,509
2046	1,396,989	135,709	1,532,698
2047	1,432,232	94,141	1,526,373
2048	1,472,475	51,103	1,523,578
2049	732,719	20,803	753,522
2050	542,963	7,669	550,632
2051	303,208	1,488	304,696
Total	<u>\$ 110,820,771</u>	<u>\$ 29,815,068</u>	<u>\$ 140,635,839</u>

(1) Excludes temporary loans, overlapping debt, lease purchase agreements, unfunded pension liability and other post-employment benefits liability.

Authorized Unissued Debt

Following the delivery of the Bonds, the Town will have approximately \$180,881,319 of authorized and unissued debt of which (i) \$144,661,968 is for the West Elementary School for which the Town expects to receive approximately 45.85% reimbursement on eligible project costs from the Massachusetts School Building Authority ('MSBA'), (ii) \$10,000,000 is the remaining pension obligation authorization (which is not expected to be issued) and (iii) the remainder is for various municipal purposes.

Overlapping Debt

The Town of Andover is a member of the Greater Lawrence Regional Vocational Technical High School District, the Merrimack Valley Regional Transit Authority and the Greater Lawrence Sanitary District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of each of the overlapping entities as of June 30, 2021, the Town's estimated gross share of such debt, and fiscal 2022 dollar assessments.

Overlapping Entity	Outstanding Debt as of June 30, 2021	Andover's Estimated Share(1)	Fiscal 2022 Dollar Assessment(2)
Greater Lawrence Regional Vocational Technical School District(3)	\$ 2,845,000	1.8 %	\$ 642,033
Merrimack Valley Regional Transit Authority(4)	-	N/A	
Greater Lawrence Sanitary District(5)	48,129,046	7.1	2,417,991

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Greater Lawrence Regional Vocational Technical High School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school district, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the district subject to the provisions of the Education Reform Act of 1993. The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year proceeding the year for which the apportionment is being determined.

(4) SOURCE: Merrimack Valley Regional Transit Authority. Assessment is for fiscal 2020. These are transportation authorities which have been established outside the Boston area. It has been state practice in recent years to provide a portion of their net cost of service, including debt service on their bonds. In addition to the other sources of funds provided by Massachusetts General Laws Chapter 161B from which the regional transit authorities may obtain monies for the payment of the principal of and interest on their obligations, such payment will be further secured by the Commonwealth, which is required to pay to the regional transit authorities amounts duly certified by the administrator of the authority as necessary to pay any principal or interest due or about to come due for such purpose. The remainder of the net cost of service is assessed upon the member cities and towns in proportion to the amount of the net cost incurred on routes within each city or town. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See "Tax Limitations" under "PROPERTY TAXATION" above. The Authority currently has no authorized unissued debt.

(5) SOURCE: Greater Lawrence Sanitary District. Each member community pays for its proportionate share of the district's operating costs based upon the percent of wastewater received from each respective community. Member communities include Andover, Lawrence, Methuen and North Andover and Salem, New Hampshire by agreement.

CONTRACTUAL OBLIGATIONS

Obligations to make payments on account of municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town has general statutory authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but in most cases only when funds are available for the first fiscal year; obligations for succeeding fiscal years are in those cases expressly subject to availability and appropriation of funds. Specific authority exists in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal (20 year maximum term) and certain contracts by municipal electric departments. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town of Andover has a limited number of contractual obligations. The Town has a recycling and solid waste disposal and collection agreement to dispose of their municipal waste with Republic Services which expires June 30, 2022 with the option of extending for an additional two years. The cost of this contract for fiscal year 2022 is \$819,8677 (recycling), \$340,000 or \$85.00 per ton (recycling disposal), and \$1,280,312 (trash) or \$819,600 or \$81.96 per ton (trash disposal).

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The contributory retirement system obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2040, with annual increases in the scheduled payment amounts of not more than 4.5 percent.

The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducted an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Andover Contributory Retirement Board (the "Board") has adopted a funding schedule to fully fund the unfunded actuarial liability by 2040.

The annual required contributions by the Town to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Board, for the following fiscal years were as follows:

<u>Year Ending</u>	<u>Annual Required Contribution</u>
June 30, 2022 (budgeted)	\$ 13,029,857
June 30, 2021	11,910,301
June 30, 2020	11,410,335
June 30, 2019	10,371,338
June 30, 2018	9,428,488
June 30, 2017	8,598,420

The unfunded pension benefit obligation of the Andover Contributory Retirement System on January 1, 2021 using an estimated 5.75% assumed rate of return, was as follows:

Actuarial Accrued Liabilities	\$364,304,594
Market Value of Fund Assets	<u>183,587,589</u>
Unfunded Pension Benefit Obligation	<u>\$180,717,005</u>

SOURCE: Extracted from the audited financial statements. Estimates of actuarial liabilities depend on the underlying actuarial assumptions and reference is made to Appendix A for a description of these assumptions.

Funding Schedule (As of January 1, 2021)

Fiscal Year	Employer Normal Cost	Amortization Payment of UAL	Net 3(8)(C) Transfers	Total Employer Cost	Unfunded Actuarial Accrued Liability	Increase Over Prior Year
2022	\$ 5,376,067	\$ 7,653,790	\$ -	\$ 13,029,857	\$ 193,475,186	
2023	5,564,230	8,265,929	160,000	13,830,159	196,765,832	7.37 %
2024	5,758,978	9,262,254		15,021,232	199,619,126	7.37
2025	5,960,542	10,167,755		16,128,297	201,616,676	7.37
2026	6,169,161	11,147,791		17,316,952	202,802,243	7.37
2027	6,385,081	12,208,130		18,593,211	203,052,847	7.37
2028	6,608,560	13,354,971		19,963,531	202,232,531	7.37
2029	6,839,860	14,594,983		21,434,843	200,191,176	7.37
2030	7,079,254	15,935,337		23,014,591	196,763,207	7.37
2031	7,327,027	17,383,739		24,710,766	191,766,186	7.37
2032	7,583,473	18,948,477		26,531,950	184,999,297	7.37
2033	7,848,895	20,638,458		28,487,353	176,241,697	7.37
2034	8,123,607	22,463,266		30,586,873	165,250,723	7.37
2035	8,407,933	24,433,191		32,841,124	151,759,953	7.37
2036	8,702,210	26,559,305		35,261,515	135,477,111	7.37
2037	9,006,788	28,853,500		37,860,288	116,081,782	7.37
2038	9,322,026	31,328,566		40,650,592	93,222,957	7.37
2039	9,648,297	33,998,244		43,646,541	66,516,350	7.37
2040	9,985,988	36,719,731		46,705,719	35,541,515	7.01
2041	10,335,497			10,335,497		(77.87)
2042	10,697,239			10,697,239		3.50
2043	11,071,643			11,071,643		3.50
2044	11,459,151			11,459,151		3.50
2045	11,860,221			11,860,221		3.50
2046	12,275,328			12,275,328		3.50
2047	12,704,965			12,704,965		3.50
2048	13,149,639			13,149,639		3.50
2049	13,609,876			13,609,876		3.50
2050	14,086,222			14,086,222		3.50
2051	14,579,239			14,579,239		3.50

Source: January 1, 2021 Actuarial Valuation Report of the Andover Contributory Retirement System, PERAC and Actuarial Valuation and Review as prepared by Segal.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits to town and school department retirees in recent years has been as follows:

Fiscal Year	Benefit Costs
2022 (est.)	\$ 6,130,506
2021	5,987,038
2020	5,527,755
2019	5,749,102
2018	5,579,644

The Governmental Accounting Standards Board ("GASB") Statement Nos. 43 and 45 require public sector entities to report the future costs of non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. On January 10, 2009, Massachusetts enacted Chapter 479 of the Acts of 2008 which permits municipalities to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

At the April 2010 town meeting, the Town accepted the state legislation to establish a trust fund for Other Post-Employment Benefits ("OPEB") purposes. The OPEB Trust Fund balance was \$14,989,686 as of June 30, 2020. As of June 30, 2021, the OPEB Trust Fund was \$21,297,155. Despite similar Town contributions to OPEB for both FY20 and FY21, the Town saw a significant increase in valuation from June 30, 2020 to June 30, 2021. On June 30, 2020, the portfolio was still recovering from the quarter ending March 31, 2020 as a result of the COVID-19 pandemic. The portfolio saw gains in each quarter through June 30, 2021 which led to the overall growth compared to June 30, 2020. As of September 30, 2021 the Town's unfunded actuarial accrued liability was \$184,989,347.

The Town has performed an actuarial valuation study of its non-pension, post-employment benefits.

**PROJECTION OF ADC for OPEB
28 Years Open (6.00% discount rate) as of July 1, 2019**

Fiscal Year Ended June 30	(1) Normal Cost	(2) Amortization	Actuarially Determined Contribution	Year End UAAL	(3) Premiums + Implicit Subsidy	Cash Contribution
2020	\$ 3,559,757	\$6,588,708	\$ 10,148,465	\$ 128,656,738	\$ 5,355,698	\$ 4,792,767
2021	3,773,343	6,786,369	10,559,712	129,389,148	5,760,589	4,799,122
2022	3,999,743	6,989,960	10,989,703	129,955,893	6,141,482	4,848,221
2023	4,239,728	7,199,659	11,439,387	130,340,745	7,066,839	4,372,547
2024	4,491,112	7,415,648	11,906,760	130,526,312	7,533,258	4,376,502
2025	4,763,758	7,638,118	12,401,876	130,493,967	8,092,496	4,309,381
2026	5,049,584	7,867,261	12,916,845	130,223,764	8,607,593	4,309,253
2027	5,352,559	8,103,279	13,455,838	129,694,353	9,098,004	4,357,834
2028	5,673,713	8,346,378	14,020,091	128,882,892	9,440,712	4,579,378
2029	6,014,135	8,596,769	14,610,904	127,764,951	9,959,690	4,651,214
2030	6,374,983	8,854,672	15,229,655	126,314,405	10,341,804	4,887,852
2031	6,757,482	9,120,312	15,877,794	124,503,333	10,788,438	5,089,356
2032	7,162,931	9,393,922	16,556,853	122,301,899	11,230,361	5,326,492
2033	7,592,707	9,675,739	17,268,446	119,678,230	11,607,667	5,660,779
2034	8,048,270	9,966,011	18,014,281	116,598,287	11,958,820	6,055,461
2035	8,531,166	10,264,992	18,796,158	113,025,728	12,251,624	6,544,533
2036	9,043,036	10,572,941	19,615,977	108,921,763	12,432,091	7,183,886
2037	9,585,618	10,890,130	20,475,748	104,244,994	12,719,523	7,756,225
2038	10,160,755	11,216,834	21,377,589	98,951,256	13,110,304	8,267,285
2039	10,770,400	11,553,339	22,323,739	92,993,442	13,214,754	9,108,985
2040	11,416,624	11,899,939	23,316,563	86,321,311	13,472,487	9,844,076
2041	12,101,622	12,256,937	24,358,559	78,881,301	13,697,537	10,661,021
2042	12,827,719	12,624,645	25,452,364	70,616,312	13,951,196	11,501,169
2043	13,597,382	13,003,384	26,600,766	61,465,487	14,078,355	12,522,411
2044	14,413,225	13,393,486	27,806,711	51,363,978	14,084,099	13,722,612
2045	15,278,019	13,795,290	29,073,309	40,242,696	14,048,510	15,024,799
2046	16,194,700	14,209,149	30,403,849	28,028,044	14,229,806	16,174,043
2047	17,166,382	14,635,424	31,801,806	14,641,635	14,282,135	17,519,671
2048	18,196,365	15,074,486	33,270,851	-	14,273,212	18,997,639

Notes: Assumes payment in the middle of the fiscal year.

(1) Assumes 6% annual increase in normal cost and a static group of actives.

(2) Assumes 3% annual increase in amortization payment

(3) The premiums + implicit subsidy, or pay-as-you-go (PAYGO), amount is for the current group of retirees and future retirees and is shown for the fiscal year. It does not include any future hires. Because premiums are paid outside the OPEB trust, the PAYGO is considered to be a contribution to the plan and reduces the cash contribution. The retiree amount is expected to grow as new employees retire or become disabled.

SOURCE: Prepared by Stone Consulting, Inc.

EMPLOYEE RELATIONS

The Town employs approximately 1,429 full and part-time workers, of whom 1,091 are employed by the School Department, 66 by the Fire Department, 52 by the Police Department, 68 by the Public Works and Maintenance Departments, and the balance of the employees are in various other departments of the Town. Town and school employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on issues of wages, hours and other terms and conditions of employment. Of the 1,429 full and part-time employees of the Town, 1,275 are represented by unions including employees of the school, police, fire, and public works departments. All Town union contracts are currently set in place until June 30, 2022, with the following exceptions: the communicators (dispatch) contract expired June 30, 2021, the school administrators contract expired June 30, 2021, and the school secretaries' contract expires on June 30, 2024 and the school teacher contract expires on August 31, 2023. All expired contracts are currently in negotiations.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated as representative (the "Representative") of the Underwriters (the "Underwriters"), listed on the cover page hereof have jointly agreed, subject to certain conditions, to purchase from the Town the Bonds described in this Official Statement at a purchase price of \$164,499,667.51 and to reoffer the Bonds at no greater than the initial public offering prices, or to produce yields no less than the initial yields, set forth on the inside cover page hereof, reflecting an Underwriters' discount of \$500,332.49 including expenses. The Bonds may be offered and sold to certain dealers (including dealers depositing the Bonds into investment trusts) and other investors at prices lower than such public offering prices, and such prices may be changed from time to time, by the Underwriters. The Underwriters will be obligated to purchase all of the Bonds if any such Bonds are purchased.

Stifel, Nicolaus & Company, Incorporated (Stifel), as underwriter of the Bonds, has entered into an agreement with its affiliate, Vining-Sparks IBG, LLC for the distribution of certain municipal securities offerings at the original issue price. Pursuant to that distribution agreement, Vining-Sparks may purchase Bonds from Stifel at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that Vining-Sparks sells.

BofA Securities, Inc. ("BofA Securities"), as an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

LITIGATION

In the opinion of the Town, there is no litigation, either pending or threatened, that is likely to result, either individually or in the aggregate, in a final judgment against the Town that would materially affect its financial position.

December 8, 2021

TOWN OF ANDOVER, MASSACHUSETTS
/s/ Michael Morse, Treasurer

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TOWN OF ANDOVER, MASSACHUSETTS COMPREHENSIVE ANNUAL FINANCIAL REPORT



Haggetts Pond

For the Year Ended June 30, 2020

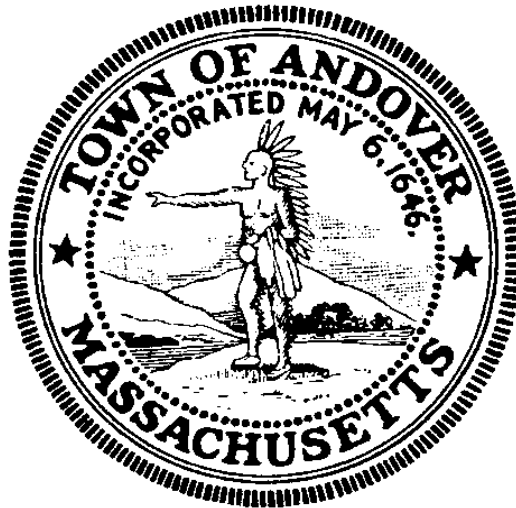


Andover Public Safety During the COVID-19 Pandemic

TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
June 30, 2020



Prepared by:

Hayley Green, Town Accountant / Assistant Finance Director

TOWN OF ANDOVER, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2020

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Introductory Section



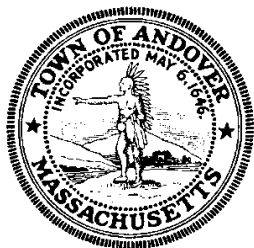
Andover Received the Designation as a Purple Heart Community



Winter Night Outside Memorial Hall at Doherty Middle School

Introductory Section

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Town of Andover

36 Bartlet Street

Andover, Massachusetts 01810

(978) 623-8211

FAX (978) 623-8208

Letter of Transmittal

December 18, 2020

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

At the close of each year state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the year ending June 30, 2020 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the Government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2020, are fairly presented in conformity with GAAP.

The Town of Andover's financial statements have been audited by Powers & Sullivan, LLC a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover, for the year ended June 30, 2020, are free of material misstatement. An Audit Committee assists the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Andover's financial statements for the year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Town

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

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

Andover was originally settled in 1636 under the native-American name of Cochichawicke, a local waterway. The community was incorporated in 1646 as the Town of Andover, named after a Town in England where many of its settlers had come from. From the earliest days, manufacturing has played a major part in the Town of Andover's development. The region's first powder mill was established in 1775; the manufacture of paper began in 1789; and in the early nineteenth century, several woolen mills prospered. While all of these early forms of manufacturing have since moved away, Andover continues to attract major modern industries.

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

The Town provides a full array of high quality services to the general public, including: full-time police and fire protection; schools for grades kindergarten through 12, (six elementary, three middle, one senior high, and one regional vocational technical high school); solid waste disposal and recycling; street maintenance and snow removal; public health and natural resource protection; community development and planning; elder, youth and veteran services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, treatment and distribution system; and provides sanitary waste disposal via connections to a regional treatment facility. During the summer months the Town operates

Pomp's Pond, a family and youth-oriented recreation area located off Abbot Street, which includes recreational and instructional swimming, shaded picnic tables, boat rentals, volleyball, and children's playground. The Town is committed to a high degree of community responsiveness, providing high quality services to its citizens, and conducting all its affairs in a professional manner.

Factors Affecting Economic Condition

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

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

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties. A number of businesses have been forced to stop or significantly reduce operations decreasing, the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic. These costs are anticipated to be recovered through various grants administered by the Federal government.

Local economy: Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail line, and proximity to international airports in Boston, MA and Manchester, NH, Andover is a true business "crossroads." The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed-use commercial areas. Andover is a highly sought-after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, life science, pharmaceutical, biotech, and medical products. Andover's largest commercial/industrial employers are Raytheon, Internal Revenue Service, Philips Medical, Pfizer, Putman Investments, Vicor, Schneider Electric, Verizon, Phillips Academy, and Hewlett Packard. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable \$8.3 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

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

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

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

In recent years, the Town has experienced historic investment in its downtown with nearly 65,000 square feet of development. On Main Street, developers infused \$14,000,000 into a 47,000 square foot building. This helped to transform the public realm along Main Street by enlivening the streetscape with new commercial and office space which is now home to restaurants, a spa and a fitness center. A new 9,872 square foot commercial building is also under construction on Park Street.

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

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

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

Given the number of years of reduced/or level state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$116.6 million worth of long and short-term debt. This indebtedness consists of approximately \$85.5 million of general government debt and \$31.1 million of enterprise fund debt, which is self-supporting through enterprise fund revenues. The Town has authorized but unissued debt for Town building improvements, land acquisition, landfill closure, water and sewer infrastructure and other various projects totaling \$30.7 million as of June 30, 2020.

The Town’s Bond Premium Stabilization Fund totals \$1.1 million at June 30, 2020. The fund is used, by a vote of Town Meeting, to supplement interest payments on non-exempt long-term bonds to ensure that the taxpayers only pay the true interest cost. The Town’s General Stabilization fund totals \$6.6 million as of June 30, 2020.

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

Cash management policies and practices: The Town issues property tax bills quarterly and derives approximately 83% of annual General Fund revenue from this source. The quarterly billings result in a cyclical build-up and then spend-down of operational cash reserves. Every effort is made to put our reserves to work. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

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

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

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

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

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

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

49.66% of the present value of the projected benefits earned by employees based on the most recent actuarial valuation dated January 1, 2020.

The Town also provides postretirement health care and life insurance benefits for Town and School retirees and their dependents. The Town established an Other Post Employment Benefit Trust Fund (OPEB) at the April 2010 Annual Town Meeting and has continued to make deposits. Town Meeting appropriated \$2.0 million to the OPEB Trust Fund in 2020 bringing the balance in the fund to \$15.0 million.

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

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

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the functional level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. These controls ensure compliance with the budget approved by Town Meeting.

Awards and Acknowledgements: The Government Finance Officers Association (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019. This was the sixteenth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The Town also received the GFOA's Distinguished Budget Presentation Award for its fiscal 2020 annual budget document. To qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

On behalf of the Town, we are pleased to share Andover's 2020 CAFR.

Respectfully submitted,



Andrew P. Flanagan
Town Manager



Donna Walsh
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Andover
Massachusetts**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Andover
Massachusetts**

For the Fiscal Year Beginning

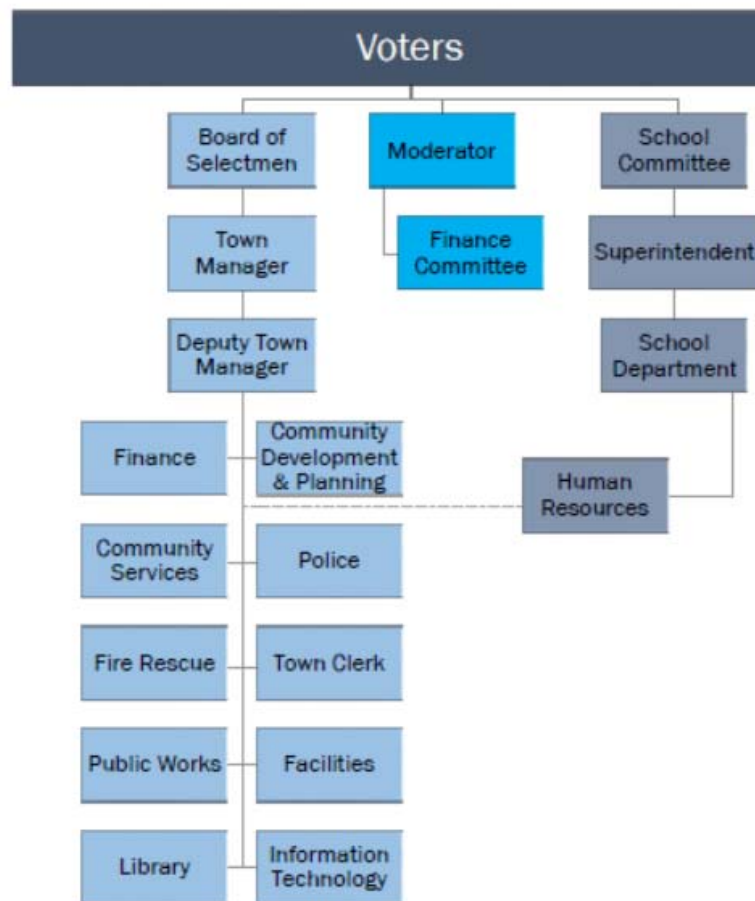
July 1, 2019

Christopher P. Morill

Executive Director

Town of Andover

ORGANIZATIONAL CHART



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

Principal Town Officials as of June 30, 2020

Elected Officials

Select Board

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

Town Moderator

Sheila M. Doherty

School Committee

Shannon Scully, Chair
Tracey Spruce
Lauren Conoscenti
Paul D. Murphy
Susan K. McCready, Vice Chair

Appointed Officials

Town Manager
Superintendent of Schools
Finance Director
Town Accountant/Assistant Finance Director
Treasurer
Town Assessor
Town Clerk & Chief Strategy Officer
Fire Chief
Police Chief
Human Resources Director
Library Director
Director of Public Works
Director of Facilities
Chief Information Officer

Andrew P. Flanagan
Dr. Sheldon Berman
Donna Walsh
Hayley S. Green
Michael Morse
David Billard
Austin P. Simko
Michael B. Mansfield
Patrick Keefe
Candace A. Hall-Nourse
Barbara McNamara
Christopher M. Cronin
Janet Nicosia
Paul Puzzanghera

Financial Section



Downtown Andover



Memorial Hall Library

Financial Section

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Independent Auditor's Report

To the Honorable Select Board and the Audit Committee
Town of Andover, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts as of and for the year ended June 30, 2020 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of June 30, 2020 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Andover, Massachusetts' internal control over financial reporting and compliance.



December 18, 2020

Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

Financial Highlights

- At the close of the current year, the Town's general fund reported an ending fund balance of \$25.9 million which represents 14.3% of total general fund budgetary basis expenditures.
- For the government-wide financial statements, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent year by \$50.6 million (net position).
- The net OPEB liability decreased by \$10.6 million. This decrease can be attributed to an \$8.2 million decrease in the total OPEB liability that was offset by an increase in the OPEB trust fund's fiduciary net position of \$2.5 million. The decrease in the total OPEB liability is primarily due to differences between expected and actual experience and changes of assumptions. The increase in net position is due to \$2.0 million of employer contributions and \$503,000 of net investment income.
- The governmental deferred outflows/inflows of resources related to OPEB, net resulted in a decrease in net position of \$10.8 million; which will be recognized as expense over the next five years.
- The net pension liability decreased by \$16.4 million. This decrease can be attributed to the increase in the pension trust fund's fiduciary net position totaling \$24.6 million. This increase in the fund's net position is primarily attributable to net investment income totaling \$24.9 million.
- The governmental deferred outflows/inflows of resources related to pensions, net resulted in a decrease in net position of \$24.8 million; which will be recognized as expense over the next four years.
- The total gross debt (short-term and long-term combined) increased by \$1.1 million during the current year. This was due to the net effect of \$11.4 million in principal payments on long-term outstanding debt, and the issuance of an additional \$11.8 million of bonds as well as retirements of short-term debt totaling \$2.7 million and the issuance of \$3.4 million of short-term debt.
- The Town contributed an additional \$2.0 million to the OPEB trust fund in 2020 and at year-end the trust fund had a net position of \$15.0 million.
- The Town reported extraordinary items consisting of \$41,000 in reimbursements and \$2.3 million in expenses, of which \$1.8 million were capitalized for the government-wide financial statements. These extraordinary items related to gas explosions that occurred throughout the Town in 2019 (See Note 15).
- In 2020, the Town incurred \$406,000 of expenses related to the COVID-19 Pandemic, which were funded by grants received by the State and Federal governments (See Note 16).

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, public facilities, community services, library, COVID-19, claims and judgements, and interest. The business-type activities include the activities of water and sewer services.

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources by \$50.6 million at the close of 2020, which was a decrease of \$2.1 million from the prior year.

Net position of \$167.0 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$11.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$228.9 million. The primary reason for the deficit balance is the recognition of the net pension and net OPEB liabilities.

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

Governmental Activities

The Town of Andover's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$99.6 million at the close of 2020, which was a decrease of \$1.8 million from the prior year.

	2020	2019
Assets:		
Current assets.....	\$ 101,710,824	\$ 93,084,689
Noncurrent assets (excluding capital).....	316,708	327,888
Capital assets, non depreciable.....	39,514,702	34,884,265
Capital assets, net of accumulated depreciation.....	160,894,855	162,597,197
Total assets.....	302,437,089	290,894,039
Deferred outflows of resources.....	17,489,826	32,038,644
Liabilities:		
Current liabilities (excluding debt).....	17,044,703	14,833,524
Noncurrent liabilities (excluding debt).....	283,789,909	308,214,683
Current debt.....	10,706,612	8,404,851
Noncurrent debt.....	74,815,604	77,240,392
Total liabilities.....	386,356,828	408,693,450
Deferred inflows of resources.....	33,179,706	12,079,258
Net position:		
Net investment in capital assets.....	120,784,434	118,786,722
Restricted.....	11,300,312	10,983,413
Unrestricted.....	(231,694,365)	(227,610,160)
Total net position.....	\$ (99,609,619)	\$ (97,840,025)
Program Revenues:		
Charges for services.....	\$ 13,664,164	\$ 16,280,383
Operating grants and contributions.....	43,074,422	35,549,412
Capital grants and contributions.....	2,149,385	372,995
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	150,700,501	144,265,717
Tax and other liens.....	369,683	678,899
Motor vehicle and other excise taxes.....	5,949,352	6,115,370
Hotel/motel tax.....	1,807,513	2,360,307
Meals tax.....	601,416	622,132
Penalties and interest on taxes.....	557,100	572,136
Grants and contributions not restricted to specific programs.....	2,126,802	2,099,148
Unrestricted investment income.....	1,467,663	1,348,115
Total revenues.....	222,468,001	210,264,614

	2020	2019
Expenses:		
General government.....	15,353,486	15,142,631
Public safety.....	30,274,085	30,810,933
Education.....	144,304,602	134,040,164
Public works.....	13,339,464	10,880,271
Public facilities.....	7,573,021	7,410,129
Community services.....	5,485,241	5,778,428
Library.....	4,396,524	4,392,675
COVID-19.....	406,209	-
Claims and judgments.....	-	13,500
Interest.....	2,660,557	2,540,131
Total expenses.....	223,793,189	211,008,862
Excess (Deficiency) before extraordinary items.....	(1,325,188)	(744,248)
Extraordinary item - gas disaster settlement funds.....	41,478	19,381,109
Extraordinary item - gas disaster expenses.....	(485,884)	(1,706,855)
Change in net position.....	(1,769,594)	16,930,006
Net position, beginning of year.....	(97,840,025)	(114,770,031)
Net position, end of year.....	\$ (99,609,619)	\$ (97,840,025)

The governmental expenses totaled \$223.8 million, of which \$58.9 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$163.6 million, primarily coming from property taxes, motor vehicle excise and other excise taxes, and non-restricted state aid.

The governmental net position decreased by \$1.8 million during the current year. This decrease was attributable to the net change in deferred outflows/inflows of resources related to pensions and OPEB totaling \$24.8 million and \$10.8 million, respectively. These decreases were offset by \$16.0 million and \$9.3 million decreases in the net pension and net OPEB liabilities, a \$4.4 million general fund operating surplus and a \$4.4 million operating surplus in the internal service fund.

Business-Type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49.1 million at the close of 2020.

	2020	2019
Assets:		
Current assets.....	\$ 20,290,833	\$ 20,808,159
Noncurrent assets (excluding capital).....	3,506,147	4,066,867
Capital assets, non depreciable.....	2,151,088	1,674,280
Capital assets, net of accumulated depreciation....	71,239,216	69,328,044
Total assets.....	97,187,284	95,877,350
Deferred outflows of resources.....	1,162,658	1,851,636
Liabilities:		
Current liabilities (excluding debt).....	856,847	776,664
Noncurrent liabilities (excluding debt).....	14,749,143	16,546,270
Current debt.....	4,419,816	5,826,375
Noncurrent debt.....	26,708,725	24,173,541
Total liabilities.....	46,734,531	47,322,850
Deferred inflows of resources.....	2,562,915	1,060,833
Net position:		
Net investment in capital assets.....	46,240,734	43,602,463
Unrestricted.....	2,811,762	5,742,840
Total net position.....	\$ 49,052,496	\$ 49,345,303
Program Revenues:		
Charges for services.....	\$ 14,472,959	\$ 13,640,061
General Revenues:		
Unrestricted investment income.....	119,430	132,892
Total revenues.....	14,592,389	13,772,953
Expenses:		
Water.....	10,259,115	9,205,318
Sewer.....	4,626,081	4,583,488
Total expenses.....	14,885,196	13,788,806
Change in net position.....	(292,807)	(15,853)
Net position, beginning of year.....	49,345,303	49,361,156
Net position, end of year.....	\$ 49,052,496	\$ 49,345,303

Business-type net position of \$46.2 million (94%) represents the investment in capital assets while \$2.8 million (6%) is unrestricted. The Town's business-type net position decreased by \$293,000 in the current year.

The water department net position decreased by \$570,000. This decrease is primarily due to decreases from deferred outflows/inflows of resources related to pensions and OPEB totaling \$763,000 and \$1.1 million, respectively. These decreases were offset by decreases in the net pension and net OPEB liabilities totaling \$282,000 and \$1.1 million, respectively.

The sewer department net position increased by \$277,000. This increase is primarily due to debt principal raised in the sewer rates exceeding depreciation expense by \$776,000. This increase was offset by a \$421,000 decrease from operations.

Financial Analysis of the Government's Funds

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$66.1 million, which is comprised of \$25.8 million in the general fund, \$12.3 million in the gas disaster paving restoration fund, \$1.6 million in the gas disaster mitigation fund, and \$26.3 million in the nonmajor governmental funds. Cumulatively, there was an increase of \$22,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$22.7 million, while total fund balance was \$25.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.5% of total general fund budgetary expenditures, while total fund balance represents 14.3% of that same amount. The general fund experienced an increase of \$4.4 million, which was due to a \$3.7 million increase from budgetary operating results, a \$414,000 increase from the recognition of real estate and personal property tax revenue received within 60 days of year-end, a \$115,000 increase in the general stabilization fund, which is recorded in the general fund for GAAP and a \$152,000 decrease in recording tax refunds payable.

The Highway Construction fund accounts for a state reimbursement grant to support highway construction. The Town expended \$1.5 million for approved projects and recognized state grant revenue of \$1.5 million.

In accordance with a Settlement Agreement with Columbia Gas following the 2019 gas explosion (See Note 15 for further information), the Town received payments of \$14.0 million and \$3.0 million, which were reported in the Gas Disaster Paving Restoration and Gas Disaster Mitigation funds, respectively. In 2020, the Town expended \$2.2 million from the Gas Disaster Paving Restoration fund. The Town also transferred \$700,000 from the Gas Mitigation fund to a capital projects fund for renovations to the senior center and expended an additional \$58,000 for design services.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2020, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. In 2020, the Town incurred \$406,000 of COVID related expenditures. The Town plans to submit reimbursements to the Federal Emergency Management Agency

(FEMA), apply for funding from the CARES Act, and use other local grant receipts to cover these costs (See Note 16 for further information).

The nonmajor funds experienced a decrease of \$724,000, which was due to timing differences between the receipt and expenditure of grant funds and the permanent financing of capital projects.

General Fund Budgetary Highlights

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized \$187.8 million in appropriations and other amounts to be raised, there were no supplemental appropriations in 2020.

For the 2020 budget, the Town changed the legal level of spending as voted at the Annual Town Meeting. This change has been reflected in the presentation of the budget to actual schedule.

Capital Asset and Debt Administration

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

Major capital events during the current year include the following:

- Governmental activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$12.3 million.
- Business-type activities included additions to construction in progress, buildings and improvements, machinery and equipment, infrastructure and vehicles totaling \$6.0 million.

Of the additions to Governmental activities, \$1.8 million were capitalized from the Gas Disaster Paving Restoration fund to replace existing roadways that were damaged as a result of the gas disaster.

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

As of June 30, 2020, outstanding long-term debt for governmental activities totaled \$82.4 million, of which \$40.4 million is related to school projects, \$28.3 million is for municipal services, \$5.0 million is for land acquisition, \$2.7 million is for public safety projects, \$2.6 million is for culture and recreation projects, and the remaining balance of \$3.4 million relates to unamortized bond premiums. The Town issued \$5.2 million of governmental bonds in 2020.

The sewer and water enterprise funds have outstanding long-term debt totaling \$10.1 million and \$20.7 million including unamortized premiums, respectively. \$6.6 million of new long-term debt was issued in 2020 for water infrastructure improvements. The debt is fully supported by rates and does not rely on a general fund subsidy.

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 83,365,046	\$ 14,496,136	\$ 97,861,182
Investments.....	6,972,031	-	6,972,031
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,197,660	-	2,197,660
Tax liens.....	2,593,869	47,320	2,641,189
Motor vehicle and other excise taxes.....	505,948	-	505,948
User charges.....	-	5,174,836	5,174,836
Departmental and other.....	1,845,264	-	1,845,264
Intergovernmental.....	3,971,914	-	3,971,914
Special assessments.....	-	572,541	572,541
Tax foreclosures.....	259,092	-	259,092
Total current assets.....	101,710,824	20,290,833	122,001,657
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	316,708	-	316,708
Special assessments.....	-	3,506,147	3,506,147
Capital assets, nondepreciable.....	39,514,702	2,151,088	41,665,790
Capital assets, net of accumulated depreciation.....	160,894,855	71,239,216	232,134,071
Total noncurrent assets.....	200,726,265	76,896,451	277,622,716
TOTAL ASSETS.....	302,437,089	97,187,284	399,624,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt.....	89,905	56,801	146,706
Deferred outflows related to pensions.....	11,333,101	735,341	12,068,442
Deferred outflows related to other postemployment benefits.....	6,066,820	370,516	6,437,336
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	17,489,826	1,162,658	18,652,484
LIABILITIES			
CURRENT:			
Warrants payable.....	3,389,756	266,504	3,656,260
Accrued payroll.....	7,451,180	51,847	7,503,027
Health claims payable.....	1,825,000	-	1,825,000
Tax refunds payable.....	241,000	-	241,000
Due to other governments.....	-	87,213	87,213
Accrued interest.....	773,267	255,887	1,029,154
Liabilities due depositors.....	-	10,396	10,396
Other liabilities.....	673,170	-	673,170
Unearned revenue.....	174,330	-	174,330
Landfill closure.....	308,000	-	308,000
Compensated absences.....	2,177,000	185,000	2,362,000
Workers' compensation.....	32,000	-	32,000
Capital lease obligations.....	46,131	-	46,131
Notes payable.....	3,061,000	355,000	3,416,000
Bonds payable.....	7,599,481	4,064,816	11,664,297
Total current liabilities.....	27,751,315	5,276,663	33,027,978
NONCURRENT:			
Due to other governments.....	-	543,362	543,362
Landfill closure.....	14,392,000	-	14,392,000
Compensated absences.....	3,075,000	219,000	3,294,000
Workers' compensation.....	291,000	-	291,000
Net pension liability.....	156,326,917	6,560,670	162,887,587
Net other postemployment benefits liability.....	109,704,992	7,426,111	117,131,103
Bonds payable.....	74,815,604	26,708,725	101,524,329
Total noncurrent liabilities.....	358,605,513	41,457,868	400,063,381
TOTAL LIABILITIES.....	386,356,828	46,734,531	433,091,359
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	13,799,181	657,780	14,456,961
Deferred inflows related to other postemployment benefits.....	19,380,525	1,905,135	21,285,660
TOTAL DEFERRED INFLOWS OF RESOURCES.....	33,179,706	2,562,915	35,742,621
NET POSITION			
Net investment in capital assets.....	120,784,434	46,240,734	167,025,168
Restricted for:			
Debt service.....	453,580	-	453,580
Permanent funds:			
Expendable.....	774,806	-	774,806
Nonexpendable.....	1,266,307	-	1,266,307
Gifts and grants.....	8,805,619	-	8,805,619
Unrestricted.....	(231,694,365)	2,811,762	(228,882,603)
TOTAL NET POSITION.....	\$ (99,609,619)	\$ 49,052,496	\$ (50,557,123)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 15,353,486	\$ 1,697,431	\$ 1,108,403	\$ -	\$ (12,547,652)	
Public safety.....	30,274,085	5,799,890	185,495	-	(24,288,700)	
Education.....	144,304,602	4,234,692	40,029,101	246,352	(99,794,457)	
Public works.....	13,339,464	245,053	602,593	1,487,737	(11,004,081)	
Public facilities.....	7,573,021	106,969	-	-	(7,466,052)	
Community services.....	5,485,241	1,576,708	642,008	415,296	(2,851,229)	
Library.....	4,396,524	3,421	100,613	-	(4,292,490)	
COVID-19.....	406,209	-	406,209	-	-	
Interest.....	2,660,557	-	-	-	(2,660,557)	
Total Governmental Activities.....	223,793,189	13,664,164	43,074,422	2,149,385	(164,905,218)	
Business-Type Activities:						
Water.....	10,259,115	9,617,768	-	-	(641,347)	
Sewer.....	4,626,081	4,855,191	-	-	229,110	
Total Business-Type Activities.....	14,885,196	14,472,959	-	-	(412,237)	
Total Primary Government.....	\$ 238,678,385	\$ 28,137,123	\$ 43,074,422	\$ 2,149,385	\$ (165,317,455)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (164,905,218)	\$ (412,237)	\$ (165,317,455)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	150,700,501	-	150,700,501
Tax and other liens.....	369,683	-	369,683
Motor vehicle and other excise taxes.....	5,949,352	-	5,949,352
Hotel/motel tax.....	1,807,513	-	1,807,513
Meals tax.....	601,416	-	601,416
Penalties and interest on taxes.....	557,100	-	557,100
Grants and contributions not restricted to specific programs.....	2,126,802	-	2,126,802
Unrestricted investment income.....	1,467,663	119,430	1,587,093
<i>Extraordinary items - gas disaster settlement funds.....</i>	<i>41,478</i>	<i>-</i>	<i>41,478</i>
<i>Extraordinary items - gas disaster expenses.....</i>	<i>(485,884)</i>	<i>-</i>	<i>(485,884)</i>
Total general revenues and extraordinary items.....	<u>163,135,624</u>	<u>119,430</u>	<u>163,255,054</u>
Change in net position.....	(1,769,594)	(292,807)	(2,062,401)
<i>Net position:</i>			
Beginning of year.....	<u>(97,840,025)</u>	<u>49,345,303</u>	<u>(48,494,722)</u>
End of year.....	\$ <u><u>(99,609,619)</u></u>	\$ <u><u>49,052,496</u></u>	\$ <u><u>(50,557,123)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 28,251,565	\$ -	\$ 12,381,387	\$ 1,641,615	\$ 29,762,772	\$ 72,037,339
Investments.....	5,668,575	-	-	-	1,303,456	6,972,031
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	2,197,660	-	-	-	-	2,197,660
Tax liens.....	2,593,869	-	-	-	-	2,593,869
Motor vehicle and other excise taxes.....	505,948	-	-	-	-	505,948
Departmental and other.....	602,438	-	-	-	61,962	664,400
Intergovernmental.....	-	3,239,923	-	-	731,991	3,971,914
Tax foreclosures.....	259,092	-	-	-	-	259,092
Due from other funds.....	145,253	-	-	-	-	145,253
TOTAL ASSETS.....	\$ 40,224,400	\$ 3,239,923	\$ 12,381,387	\$ 1,641,615	\$ 31,860,181	\$ 89,347,506
LIABILITIES						
Warrants payable.....	\$ 1,317,105	\$ 64,964	\$ 51,031	\$ -	\$ 1,775,239	\$ 3,208,339
Accrued payroll.....	7,262,522	956	-	-	187,702	7,451,180
Tax refunds payable.....	241,000	-	-	-	-	241,000
Due to other funds.....	-	52,896	-	-	92,357	145,253
Other liabilities.....	44,817	-	-	-	191,069	235,886
Unearned revenue.....	-	-	-	-	174,330	174,330
Notes payable.....	-	-	-	-	3,061,000	3,061,000
TOTAL LIABILITIES.....	8,865,444	118,816	51,031	-	5,481,697	14,516,988
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	5,502,297	3,121,107	-	-	57,154	8,680,558
FUND BALANCES						
Nonspendable.....	-	-	-	-	1,266,307	1,266,307
Restricted.....	453,580	-	12,330,356	1,641,615	25,745,971	40,171,522
Committed.....	1,189,420	-	-	-	-	1,189,420
Assigned.....	1,490,233	-	-	-	-	1,490,233
Unassigned.....	22,723,426	-	-	-	(690,948)	22,032,478
TOTAL FUND BALANCES.....	25,856,659	-	12,330,356	1,641,615	26,321,330	66,149,960
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 40,224,400	\$ 3,239,923	\$ 12,381,387	\$ 1,641,615	\$ 31,860,181	\$ 89,347,506

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$ 66,149,960
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	200,409,557
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	8,680,558
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	(15,689,880)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	10,058,578
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(773,267)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(82,415,085)
Net pension liability.....	(156,326,917)
Net other postemployment benefits liability.....	(109,704,992)
Landfill closure.....	(14,700,000)
Capital lease obligations.....	(46,131)
Compensated absences.....	(5,252,000)
Net effect of reporting long-term liabilities.....	<u>(368,445,125)</u>
Net position of governmental activities.....	\$ <u>(99,609,619)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Gas Disaster Reimbursement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 150,883,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,883,719
Tax liens.....	224,975	-	-	-	-	-	224,975
Motor vehicle and other excise taxes.....	5,962,010	-	-	-	-	-	5,962,010
Hotel/motel tax.....	1,807,513	-	-	-	-	-	1,807,513
Meals tax.....	601,416	-	-	-	-	-	601,416
Charges for services.....	-	-	-	-	-	943,623	943,623
Penalties and interest on taxes.....	557,100	-	-	-	-	-	557,100
Licenses and permits.....	3,209,427	-	-	-	-	-	3,209,427
Intergovernmental - School Building Authority.....	-	-	-	-	-	246,352	246,352
Intergovernmental - Teachers Retirement.....	22,893,211	-	-	-	-	-	22,893,211
Intergovernmental.....	14,610,563	1,474,558	-	-	-	6,537,874	22,622,995
Intergovernmental - COVID-19 relief.....	-	-	-	-	-	406,209	406,209
Departmental and other.....	3,054,664	-	-	-	-	7,579,822	10,634,486
Contributions and donations.....	-	-	-	-	-	310,926	310,926
Investment income.....	1,243,960	-	-	-	-	150,589	1,394,549
TOTAL REVENUES.....	205,048,558	1,474,558	-	-	-	16,175,395	222,698,511
EXPENDITURES:							
Current:							
General government.....	8,126,941	-	-	-	-	1,218,102	9,345,043
Public safety.....	17,374,975	-	-	-	-	1,410,592	18,785,567
Education.....	86,265,645	-	-	-	-	9,006,831	95,272,476
Public works.....	8,761,779	1,474,558	-	-	-	75,037	10,311,374
Public facilities.....	2,997,781	-	-	-	-	194,213	3,191,994
Community services.....	2,165,296	-	-	-	-	1,840,661	4,005,957
Library.....	2,684,045	-	-	-	-	68,710	2,752,755
COVID-19.....	-	-	-	-	-	406,209	406,209
Pension benefits.....	10,970,247	-	-	-	-	-	10,970,247
Pension benefits - Teachers Retirement.....	22,893,211	-	-	-	-	-	22,893,211
Property and liability insurance.....	1,064,473	-	-	-	-	-	1,064,473
Employee benefits.....	22,642,514	-	-	-	-	-	22,642,514
State and county charges.....	769,672	-	-	-	-	-	769,672
Capital outlay.....	-	-	-	-	-	12,803,744	12,803,744
Debt service:							
Principal.....	7,014,124	-	-	-	-	-	7,014,124
Interest.....	3,373,838	-	-	-	-	-	3,373,838
TOTAL EXPENDITURES.....	197,104,541	1,474,558	-	-	-	27,024,099	225,603,198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	7,944,017	-	-	-	-	(10,848,704)	(2,904,687)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	-	-	-	4,873,000	4,873,000
Premium from issuance of bonds.....	-	-	-	-	-	347,824	347,824
Transfers in.....	405,405	-	-	-	-	5,682,333	6,087,738
Transfers out.....	(3,963,698)	-	-	(700,000)	(645,765)	(778,275)	(6,087,738)
TOTAL OTHER FINANCING SOURCES (USES).....	(3,558,293)	-	-	(700,000)	(645,765)	10,124,882	5,220,824
EXTRAORDINARY ITEMS:							
Gas disaster settlement funds.....	-	-	-	-	41,478	-	41,478
Gas disaster expenses.....	-	-	(2,234,644)	(58,385)	(42,398)	-	(2,335,427)
TOTAL EXTRAORDINARY ITEMS.....	-	-	(2,234,644)	(58,385)	(920)	-	(2,293,949)
NET CHANGE IN FUND BALANCES.....	4,385,724	-	(2,234,644)	(758,385)	(646,685)	(723,822)	22,188
FUND BALANCES AT BEGINNING OF YEAR.....	21,470,935	-	14,565,000	2,400,000	646,685	27,045,152	66,127,772
FUND BALANCES AT END OF YEAR.....	\$ 25,856,659	\$ -	\$ 12,330,356	\$ 1,641,615	\$ -	\$ 26,321,330	\$ 66,149,960

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	22,188
<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.....	12,286,637	
Depreciation expense.....	<u>(9,358,542)</u>	
Net effect of reporting capital assets.....		2,928,095
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(303,624)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	89,883	
Issuance of bonds.....	(4,873,000)	
Premium from issuance of bonds.....	(347,824)	
Net amortization of premium from issuance of bonds.....	680,844	
Net change in deferred charge on refunding.....	(55,569)	
Debt service principal payments.....	<u>7,014,124</u>	
Net effect of reporting long-term debt.....		2,508,458
<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.....	(524,000)	
Net change in accrued interest on long-term debt.....	88,006	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(24,820,231)	
Net change in net pension liability.....	16,033,960	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(10,819,211)	
Net change in net other postemployment benefits liability.....	9,268,814	
Net change in landfill closure.....	<u>(560,000)</u>	
Net effect of recording long-term liabilities.....		(11,332,662)
The net activity of internal service funds is reported with Governmental Activities.....		<u>4,407,951</u>
Change in net position of governmental activities.....	\$	<u><u>(1,769,594)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 10,002,081	\$ 4,494,055	\$ 14,496,136	\$ 11,327,707
Receivables, net of allowance for uncollectibles:				
Liens - user charges.....	28,752	18,568	47,320	-
User charges.....	3,412,469	1,762,367	5,174,836	-
Departmental and other.....	-	-	-	1,497,572
Special assessments.....	-	572,541	572,541	-
Total current assets.....	13,443,302	6,847,531	20,290,833	12,825,279
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	3,506,147	3,506,147	-
Capital assets, non depreciable.....	979,202	1,171,886	2,151,088	-
Capital assets, net of accumulated depreciation.....	40,291,580	30,947,636	71,239,216	-
Total noncurrent assets.....	41,270,782	35,625,669	76,896,451	-
TOTAL ASSETS.....	54,714,084	42,473,200	97,187,284	12,825,279
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding.....	12,634	44,167	56,801	-
Deferred outflows related to pensions.....	679,412	55,929	735,341	-
Deferred outflows related to other postemployment benefits.....	309,737	60,779	370,516	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	1,001,783	160,875	1,162,658	-
LIABILITIES				
CURRENT:				
Warrants payable.....	239,923	26,581	266,504	181,417
Accrued payroll.....	45,480	6,367	51,847	-
Health claims payable.....	-	-	-	1,825,000
Due to other governments.....	87,213	-	87,213	-
Liabilities due depositors.....	-	10,396	10,396	-
Accrued interest.....	178,457	77,430	255,887	-
Other liabilities.....	-	-	-	437,284
Compensated absences.....	167,000	18,000	185,000	-
Workers' compensation.....	-	-	-	32,000
Notes payable.....	-	355,000	355,000	-
Bonds payable.....	2,106,660	1,958,156	4,064,816	-
Total current liabilities.....	2,824,733	2,451,930	5,276,663	2,475,701
NONCURRENT:				
Due to other governments.....	543,362	-	543,362	-
Compensated absences.....	215,000	4,000	219,000	-
Workers' compensation.....	-	-	-	291,000
Net pension liability.....	5,736,567	824,103	6,560,670	-
Net other postemployment benefits liability.....	6,207,948	1,218,163	7,426,111	-
Bonds payable.....	18,570,247	8,138,478	26,708,725	-
Total noncurrent liabilities.....	31,273,124	10,184,744	41,457,868	291,000
TOTAL LIABILITIES.....	34,097,857	12,636,674	46,734,531	2,766,701
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	467,869	189,911	657,780	-
Deferred inflows related to other postemployment benefits.....	1,562,791	342,344	1,905,135	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	2,030,660	532,255	2,562,915	-
NET POSITION				
Net investment in capital assets.....	23,108,563	23,132,171	46,240,734	-
Unrestricted.....	(3,521,213)	6,332,975	2,811,762	10,058,578
TOTAL NET POSITION.....	\$ 19,587,350	\$ 29,465,146	\$ 49,052,496	\$ 10,058,578

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
<u>OPERATING REVENUES:</u>				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 7,876,200
Employer contributions.....	-	-	-	21,679,862
Charges for services.....	<u>9,620,855</u>	<u>4,859,591</u>	<u>14,480,446</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>9,620,855</u>	<u>4,859,591</u>	<u>14,480,446</u>	<u>29,556,062</u>
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	2,830,588	2,366,304	5,196,892	-
Salaries and wages.....	2,934,300	660,706	3,595,006	-
Property and liability insurance.....	-	-	-	9,233
Depreciation.....	2,419,679	1,158,868	3,578,547	-
Employee benefits.....	<u>1,472,805</u>	<u>108,111</u>	<u>1,580,916</u>	<u>25,211,992</u>
TOTAL OPERATING EXPENSES.....	<u>9,657,372</u>	<u>4,293,989</u>	<u>13,951,361</u>	<u>25,221,225</u>
OPERATING INCOME.....	<u>(36,517)</u>	<u>565,602</u>	<u>529,085</u>	<u>4,334,837</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	68,379	43,564	111,943	73,114
Interest expense.....	<u>(601,743)</u>	<u>(332,092)</u>	<u>(933,835)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(533,364)</u>	<u>(288,528)</u>	<u>(821,892)</u>	<u>73,114</u>
CHANGE IN NET POSITION.....	(569,881)	277,074	(292,807)	4,407,951
NET POSITION AT BEGINNING OF YEAR...	<u>20,157,231</u>	<u>29,188,072</u>	<u>49,345,303</u>	<u>5,650,627</u>
NET POSITION AT END OF YEAR.....	\$ <u>19,587,350</u>	\$ <u>29,465,146</u>	\$ <u>49,052,496</u>	\$ <u>10,058,578</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 9,112,035	\$ 4,428,758	\$ 13,540,793	\$ 7,876,200
Receipts from interfund services provided.....	-	-	-	20,424,749
Payments to vendors.....	(2,872,718)	(2,393,934)	(5,266,652)	(9,233)
Payments to employees.....	(2,886,855)	(649,653)	(3,536,508)	-
Payments for interfund services used.....	(1,026,729)	(141,842)	(1,168,571)	(25,717,085)
NET CASH FROM OPERATING ACTIVITIES.....	2,325,733	1,243,329	3,569,062	2,574,631
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	6,097,000	355,000	6,452,000	-
Premium from the issuance of bonds.....	502,999	-	502,999	-
Acquisition and construction of capital assets.....	(5,061,064)	(905,463)	(5,966,527)	-
Principal payments on bonds and notes.....	(3,750,819)	(1,935,000)	(5,685,819)	-
Interest expense.....	(629,788)	(371,726)	(1,001,514)	-
Special assessments.....	-	561,285	561,285	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,841,672)	(2,295,904)	(5,137,576)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	68,379	43,564	111,943	73,114
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(447,560)	(1,009,011)	(1,456,571)	2,647,745
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	10,449,641	5,503,066	15,952,707	8,679,962
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 10,002,081	\$ 4,494,055	\$ 14,496,136	\$ 11,327,707
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>				
<u>FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (36,517)	\$ 565,602	\$ 529,085	\$ 4,334,837
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	2,419,679	1,158,868	3,578,547	-
Deferred (outflows)/inflows related to pensions.....	762,940	69,732	832,672	-
Deferred (outflows)/inflows related to other postemployment benefits.....	1,079,629	243,958	1,323,587	-
Due to other governments.....	(92,605)	-	(92,605)	-
Changes in assets and liabilities:				
Liens - user charges.....	(1,631)	758	(873)	-
User charges.....	(507,189)	(431,748)	(938,937)	-
Departmental and other.....	-	-	-	(1,255,113)
Warrants payable.....	50,475	(27,630)	22,845	(486,495)
Accrued payroll.....	5,445	2,053	7,498	-
Health claims payable.....	-	-	-	(87,000)
Liabilities due depositors.....	-	157	157	-
Other liabilities.....	-	-	-	(155,598)
Compensated absences.....	42,000	9,000	51,000	-
Workers' compensation.....	-	-	-	224,000
Net pension liability.....	(282,130)	(87,901)	(370,031)	-
Net other postemployment benefits.....	(1,114,363)	(259,520)	(1,373,883)	-
Total adjustments.....	2,362,250	677,727	3,039,977	(1,760,206)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,325,733	\$ 1,243,329	\$ 3,569,062	\$ 2,574,631
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Change in the deferred loss on debt refunding.....	\$ (7,814)	\$ (26,987)	\$ (34,801)	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 786,803	\$ 342,399	\$ 1,131,175
Investments:			
Investments in Pension Reserve Investment Trust.....	132,587,931	-	-
U.S. treasuries.....	-	1,631,962	-
Government sponsored enterprises.....	-	60,177	-
Corporate bonds.....	-	302,100	-
Equity securities.....	-	324,753	-
Mutual funds.....	43,859,166	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	4,153	-	-
TOTAL ASSETS.....	177,238,053	2,661,391	1,131,175
LIABILITIES			
Warrants payable.....	23,978	-	-
Liabilities due depositors.....	-	-	1,131,175
TOTAL LIABILITIES.....	23,978	-	1,131,175
NET POSITION			
Restricted for pensions.....	162,235,822	-	-
Restricted for other postemployment benefits.....	14,978,253	-	-
Held in trust for other purposes.....	-	2,661,391	-
TOTAL NET POSITION.....	\$ 177,214,075	\$ 2,661,391	\$ -

See notes to basic financial statements.

(1) Pension as of December 31, 2019.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 13,489,147	\$ -
Employer contributions for other postemployment benefit payments...	4,517,623	-
Member contributions.....	4,148,777	-
Transfers from other systems.....	982,922	-
State COLA reimbursements.....	67,493	-
Private donations.....	-	915,659
Intergovernmental.....	11,433	-
Total contributions.....	23,217,395	915,659
Net investment income:		
Investment income.....	26,032,925	86,266
Less: investment expense.....	(590,539)	-
Net investment income.....	25,442,386	86,266
TOTAL ADDITIONS.....	48,659,781	1,001,925
DEDUCTIONS:		
Administration.....	286,739	-
Transfers to other systems.....	1,100,714	-
Retirement benefits and refunds.....	15,627,553	-
Other postemployment benefit payments.....	4,517,623	-
Educational scholarships.....	-	120,643
TOTAL DEDUCTIONS.....	21,532,629	120,643
NET INCREASE (DECREASE) IN NET POSITION.....	27,127,152	881,282
NET POSITION AT BEGINNING OF YEAR.....	150,086,923	1,780,109
NET POSITION AT END OF YEAR.....	\$ 177,214,075	\$ 2,661,391

See notes to basic financial statements.

(1) Pension as of December 31, 2019.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

Joint Venture

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

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

Greater Lawrence Sanitary District (GLSD)

GLSD operates a wastewater treatment plant for five member communities, one of which is the Town. The GLSD is governed by a seven-member board consisting of one appointed representative from the Town. The Town is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2020, the Town's assessment totaled \$2,013,197. The Town does not have an equity interest in the District. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

Greater Lawrence Technical School (GLTS)

The Town is a member of the GLTS that serves the members students seeking an education in academic, technical and agriculture studies. The GLTS is governed by a seven-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the GLTS' debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town does not have an equity interest in the GLTS. For the year ended June 30, 2020, the Town's assessment totaled \$547,960. Separate financial statements may be obtained by writing to the Treasurer of the GLTS at 57 River Road, Andover, MA 01810.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

Additionally, the following proprietary fund type is reported:

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

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

The following fiduciary fund types are reported:

The *pension and other postemployment benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment 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 allow the trustees to approve spending of the realized investment earnings. The Town's educational scholarships are accounted for in this fund.

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes, and Tax Liens

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

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Special Assessments

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

Intergovernmental

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

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

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

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

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

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

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

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

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Town Meeting is the highest level of decision-making authority for the government that can, by adoption of an article, which constitutes

the most binding restraint, prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the article remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Pensions

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

P. Investment Income

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

Proprietary funds retain their investment income.

Q. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Fund Deficits

Individual deficits exist at June 30, 2020, within the capital project funds and the worker's compensation fund. These deficits will be funded with bond proceeds and available funds in subsequent years.

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

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

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

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

Custodial Credit Risk – Deposits

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

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

At year-end, the carrying amount of deposits totaled \$90,652,252 and the bank balance totaled \$93,892,295. Of the bank balance, \$2,731,435 was covered by Federal Depository Insurance, \$16,656,901 was covered by Depositors Insurance Fund, and \$74,503,959 was collateralized.

At December 31, 2019, the carrying amount of deposits for the Retirement System totaled \$335,171 and the bank balance totaled \$451,516. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2020, the Town of Andover had the following investments:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. government agencies.....	\$ 7,122,163	\$ 7,087,131	\$ 35,032	\$ -
Government sponsored enterprises.....	60,177	-	50,161	10,016
Corporate bonds.....	322,428	76,292	246,136	-
Total debt securities.....	7,504,768	<u>\$ 7,163,423</u>	<u>\$ 331,329</u>	<u>\$ 10,016</u>
<u>Other investments:</u>				
Equity securities.....	535,399			
Equity mutual funds.....	1,250,856			
Mutual funds.....	14,978,253			
Money market mutual funds.....	2,614,266			
MMDT.....	6,068,238			
Total investments.....	\$ 32,951,780			

As of December 31, 2019, the Retirement System had \$132,587,931 invested in PRIT, \$28,880,913 invested in equity mutual funds and \$451,632 invested in the PRIT cash fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$7,122,163 in government agencies, \$60,177 in government sponsored enterprises, \$322,428 in corporate bonds, and \$535,399 in equity securities, the Town has custodial credit risk exposure of \$8,040,167 because the related securities are uninsured, unregistered and held by the counterparty. The Town's policy requires all securities, not held directly by the Town, to be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer.

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

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .14 to 16.03 years.

Credit Risk

The Town's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments that must be in high grade securities, a high concentration of which must be rated A and above. As of June 30, 2020, Standard & Poor's Investors Service rated the Town's investments as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 25,192
AA+.....	60,177	-
A-.....	-	126,454
BBB+.....	-	170,782
Total.....	\$ <u>60,177</u>	\$ <u>322,428</u>

The Town's investments in MMDT shares and money market mutual funds were unrated.

The Retirement System has not adopted a formal policy related to Credit Risk and \$132,587,931 of PRIT shares were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2020, no more than 5 percent of the Town's investments are invested in any one issuer.

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

Fair Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2020:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. government agencies.....	\$ 7,122,163	\$ 7,122,163	\$ -	\$ -
Government sponsored enterprises.....	60,177	60,177	-	-
Corporate bonds.....	322,428	-	322,428	-
Total debt securities.....	7,504,768	7,182,340	322,428	-
Other investments:				
Equity securities.....	535,399	535,399	-	-
Equity mutual funds.....	1,250,856	1,250,856	-	-
Mutual funds.....	14,978,253	14,978,253	-	-
Money market mutual funds.....	2,614,266	2,614,266	-	-
Total other investments.....	19,378,774	19,378,774	-	-
Total investments measured at fair value.....	26,883,542	\$ 26,561,114	\$ 322,428	\$ -
Investments measured at amortized cost:				
MMDT.....	6,068,238			
Total investments.....	\$ 32,951,780			

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

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

Retirement System

As of December 31, 2019, the System had \$28,880,913 invested in equity mutual funds. Equity mutual funds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

As of December 31, 2019, the System had \$132,587,931 invested in PRIT and \$451,632 in the PRIT cash fund. PRIT Investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are

the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2020, receivables for the individual major and non-major governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,197,660	\$ -	\$ 2,197,660
Tax liens.....	2,593,869	-	2,593,869
Motor vehicle and other excise taxes.....	866,608	(360,660)	505,948
Departmental and other.....	2,225,998	(64,026)	2,161,972
Intergovernmental.....	3,971,914	-	3,971,914
Total.....	\$ <u>11,856,049</u>	\$ <u>(424,686)</u>	\$ <u>11,431,363</u>

At June 30, 2020, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 3,412,469	\$ -	\$ 3,412,469
Sewer user charges.....	1,762,367	-	1,762,367
Water liens - user charges.....	28,752	-	28,752
Sewer liens - user charges.....	18,568	-	18,568
Sewer special assessments.....	4,078,688	-	4,078,688
Total.....	\$ <u>9,300,844</u>	\$ <u>-</u>	\$ <u>9,300,844</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset type:</u>			
Real estate and personal property taxes.....	\$ 1,540,949	\$ -	\$ 1,540,949
Tax liens.....	2,593,869	-	2,593,869
Motor vehicle and other excise taxes.....	505,948	-	505,948
Departmental and other.....	602,439	57,154	659,593
Tax foreclosures.....	259,092	-	259,092
Intergovernmental.....	-	3,121,107	3,121,107
Total.....	\$ <u>5,502,297</u>	\$ <u>3,178,261</u>	\$ <u>8,680,558</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 33,385,745	\$ -	\$ -	\$ 33,385,745
Construction in progress.....	1,498,520	5,720,634	(1,090,197)	6,128,957
Total capital assets not being depreciated....	34,884,265	5,720,634	(1,090,197)	39,514,702
<u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	247,933,978	1,932,547	(140,353)	249,726,172
Machinery and equipment.....	16,050,726	920,542	-	16,971,268
Infrastructure.....	48,662,408	2,410,140	(1,390,295)	49,682,253
Vehicles.....	9,247,023	2,392,971	(297,368)	11,342,626
Library books.....	7,138,768	-	-	7,138,768
Total capital assets being depreciated.....	329,032,903	7,656,200	(1,828,016)	334,861,087
<u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(113,355,973)	(6,302,461)	140,353	(119,518,081)
Machinery and equipment.....	(11,587,364)	(870,865)	-	(12,458,229)
Infrastructure.....	(28,490,960)	(1,281,764)	1,390,295	(28,382,429)
Vehicles.....	(6,271,093)	(756,937)	297,368	(6,730,662)
Library books.....	(6,730,316)	(146,515)	-	(6,876,831)
Total accumulated depreciation.....	(166,435,706)	(9,358,542)	1,828,016	(173,966,232)
Total capital assets being depreciated, net.....	162,597,197	(1,702,342)	-	160,894,855
Total governmental activities capital assets, net.....	\$ 197,481,462	\$ 4,018,292	\$ (1,090,197)	\$ 200,409,557
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	1,141,840	323,058	(751,713)	713,185
Total capital assets not being depreciated....	1,407,857	323,058	(751,713)	979,202
<u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	2,250,111	42,379	-	2,292,490
Machinery and equipment.....	3,570,859	207,940	-	3,778,799
Infrastructure.....	92,123,377	5,039,546	-	97,162,923
Vehicles.....	434,171	199,854	-	634,025
Total capital assets being depreciated.....	98,378,518	5,489,719	-	103,868,237
<u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(434,253)	(98,989)	-	(533,242)
Machinery and equipment.....	(1,662,555)	(174,616)	-	(1,837,171)
Infrastructure.....	(58,743,628)	(2,074,994)	-	(60,818,622)
Vehicles.....	(316,542)	(71,080)	-	(387,622)
Total accumulated depreciation.....	(61,156,978)	(2,419,679)	-	(63,576,657)
Total capital assets being depreciated, net.....	37,221,540	3,070,040	-	40,291,580
Total water activities capital assets, net.....	\$ 38,629,397	\$ 3,393,098	\$ (751,713)	\$ 41,270,782

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	151,293	905,463	-	1,056,756
Total capital assets not being depreciated....	266,423	905,463	-	1,171,886
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,321,820	-	-	1,321,820
Machinery and equipment.....	1,186,123	-	-	1,186,123
Infrastructure.....	53,240,545	-	-	53,240,545
Vehicles.....	353,163	-	-	353,163
Total capital assets being depreciated.....	56,101,651	-	-	56,101,651
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(1,227,252)	(32,030)	-	(1,259,282)
Machinery and equipment.....	(611,926)	(44,709)	-	(656,635)
Infrastructure.....	(21,894,599)	(1,053,221)	-	(22,947,820)
Vehicles.....	(261,370)	(28,908)	-	(290,278)
Total accumulated depreciation.....	(23,995,147)	(1,158,868)	-	(25,154,015)
Total capital assets being depreciated, net.....	32,106,504	(1,158,868)	-	30,947,636
Total sewer activities capital assets, net.....	\$ 32,372,927	\$ (253,405)	\$ -	\$ 32,119,522

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

Governmental Activities:

General government.....	\$ 573,051
Public safety.....	945,637
Education.....	4,498,964
Public works.....	1,702,034
Public facilities.....	1,146,674
Community services.....	277,738
Library.....	214,444

Total depreciation expense - governmental activities..... \$ 9,358,542

Business-Type Activities:

Water.....	\$ 2,419,679
Sewer.....	1,158,868

Total depreciation expense - business-type activities..... \$ 3,578,547

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2020, the Town had an interfund receivable/payable of \$52,896 between the general fund and highway construction, and \$92,357 between the general fund and COVID-19 funds to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2020, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Nonmajor governmental funds	Total	
General fund.....	\$ -	\$ 3,963,698	\$ 3,963,698	(1)
Gas disaster mitigation fund.....	-	700,000	700,000	(2)
Gas disaster reimbursement fund.....	-	645,765	645,765	(3)
Nonmajor governmental funds.....	405,405	372,870	778,275	(4)
Total.....	\$ 405,405	\$ 5,682,333	\$ 6,087,738	

- (1) Transfers from the general fund to capital project funds for current year capital articles.
- (2) Transfer from the gas disaster mitigation fund to a capital project fund for renovations to the senior center.
- (3) Transfer from the gas disaster reimbursement fund to the gas disaster reserve fund for capital outlay.
- (4) Transfers to the general fund from other available funds as well as transfers between nonmajor funds.

NOTE 6 – CAPITAL LEASES

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

Asset:	Governmental Activities
Machinery and equipment.....	\$ 432,672
Less: accumulated depreciation...	(129,802)
Total.....	\$ 302,870

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Years ending June 30:	Governmental Activities
2021.....	\$ 46,602
Less: amounts representing interest.....	(471)
Present value of minimum lease payments...	\$ 46,131

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2020, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2019	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2020
Governmental Funds:							
BAN	Bond anticipation note.....	2.50%	12/19/19	\$ 620,000	\$ -	\$ (620,000)	\$ -
BAN	Municipal Purpose.....	1.15%	12/18/20	-	3,061,000	-	3,061,000
	Total Governmental Funds.....			\$ 620,000	\$ 3,061,000	\$ (620,000)	\$ 3,061,000
Enterprise Funds:							
<i>Water Enterprise Fund</i>							
BAN	Bond anticipation note.....	2.50%	12/19/19	\$ 2,100,000	\$ -	\$ (2,100,000)	\$ -
<i>Sewer Enterprise Fund</i>							
BAN	Bond anticipation note.....	1.15%	12/18/20	-	355,000	-	355,000
	Total Enterprise Funds.....			\$ 2,100,000	\$ 355,000	\$ (2,100,000)	\$ 355,000

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020	
General obligation bonds:					
Public safety.....	2039	\$ 9,365,300	2.00 - 5.00	\$ 2,739,000	(1)
School projects.....	2039	67,938,900	2.00 - 5.00	40,430,500	(1)
Municipal services.....	2049	41,426,350	2.00 - 5.00	27,747,700	(2)
Land acquisition.....	2050	9,062,100	3.00 - 5.00	5,010,251	(1)
Culture and recreation.....	2050	3,598,650	2.00 - 5.00	2,550,000	(1)
Subtotal general obligation bonds.....				78,477,451	
From direct borrowings and placements:					
Municipal services.....	2036	675,000	2.00	562,170	(1)
Add: Unamortized premium on bonds.....				3,375,464	
Total Bonds Payable, net.....				\$ 82,415,085	

(1) Debt issued to finance Town capital expenditures.

(2) Debt issued to finance Town capital expenditures with the exception of \$1.9 million for landfill closure.

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

Year	General Obligation Bonds			From Direct Borrowings and Placements			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2021.....	\$ 7,013,000	\$ 2,980,796	\$ 9,993,796	\$ 29,757	\$ 10,604	\$ 40,361	\$ 10,034,157
2022.....	6,600,200	2,650,694	9,250,894	30,403	9,998	40,401	9,291,295
2023.....	5,970,000	2,379,796	8,349,796	31,064	9,378	40,442	8,390,238
2024.....	5,555,000	2,129,740	7,684,740	31,739	8,746	40,485	7,725,225
2025.....	5,475,251	1,884,626	7,359,877	32,429	8,098	40,527	7,400,404
2026.....	5,250,000	1,642,322	6,892,322	33,134	7,438	40,572	6,932,894
2027.....	4,974,000	1,441,950	6,415,950	33,854	6,764	40,618	6,456,568
2028.....	4,595,000	1,260,675	5,855,675	34,590	6,074	40,664	5,896,339
2029.....	4,035,000	1,108,215	5,143,215	35,341	5,370	40,711	5,183,926
2030.....	3,670,000	973,005	4,643,005	36,110	4,652	40,762	4,683,767
2031.....	3,335,000	851,854	4,186,854	36,894	3,916	40,810	4,227,664
2032.....	3,180,000	744,113	3,924,113	37,696	3,166	40,862	3,964,975
2033.....	2,925,000	644,676	3,569,676	38,516	2,400	40,916	3,610,592
2034.....	2,185,000	543,416	2,728,416	39,353	1,616	40,969	2,769,385
2035.....	985,000	464,649	1,449,649	40,208	409	40,617	1,490,266
2036.....	930,000	430,613	1,360,613	41,082	409	41,491	1,402,104
2037.....	955,000	398,916	1,353,916	-	-	-	1,353,916
2038.....	925,000	366,223	1,291,223	-	-	-	1,291,223
2039.....	865,000	334,944	1,199,944	-	-	-	1,199,944
2040 - 2050....	9,055,000	1,605,190	10,660,190	-	-	-	10,660,190
Total.....	\$ 78,477,451	\$ 24,836,409	\$ 103,313,860	\$ 562,170	\$ 89,038	\$ 651,208	\$ 103,965,068

The Town has entered into a contract with the Massachusetts School Building Authority (MSBA) for financial assistance relating to a feasibility study for the West Elementary School, which will reduce the total outlay of Town resources for the study. The Town has been approved for funding totaling \$485,640 and to date has received

capital grant proceeds totaling \$141,953; which is equal to 40.5% of approved costs submitted for reimbursement. The Town has recorded a receivable totaling \$104,399 for reimbursements that were not received by year-end.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
General obligation bonds:				
Sewer projects.....	2033	\$ 26,900,550	1.30 - 5.00	\$ 10,005,350 (1)
Water projects.....	2040	28,635,502	2.00 - 5.00	17,532,200 (1)
Subtotal general obligation bonds.....				27,537,550
From direct borrowing and placements:				
Water projects	2029	5,301,352	2.00	2,168,448 (1)
Add: Unamortized premium on bonds.....				1,067,543
Total Bonds Payable, net.....				\$ 30,773,541

(1) Debt issued to finance Town capital expenditures.

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

Year	General Obligation Bonds			From Direct Borrowings and Placements			Total
	Principal	Interest	Total	Principal	Interest	Total	
2021.....	\$ 3,592,000	\$ 1,055,827	\$ 4,647,827	\$ 281,391	\$ 40,555	\$ 321,946	\$ 4,969,773
2022.....	3,499,800	847,821	4,347,621	287,076	34,870	321,946	4,669,567
2023.....	3,005,000	723,266	3,728,266	292,876	29,071	321,947	4,050,213
2024.....	2,760,000	614,581	3,374,581	298,792	23,155	321,947	3,696,528
2025.....	2,219,750	513,346	2,733,096	304,829	17,118	321,947	3,055,043
2026.....	1,885,000	421,947	2,306,947	310,987	10,960	321,947	2,628,894
2027.....	1,881,000	341,049	2,222,049	317,268	4,677	321,945	2,543,994
2028.....	1,415,000	271,247	1,686,247	37,238	1,132	38,370	1,724,617
2029.....	1,015,000	221,473	1,236,473	37,991	380	38,371	1,274,844
2030.....	860,000	182,103	1,042,103	-	-	-	1,042,103
2031.....	860,000	151,053	1,011,053	-	-	-	1,011,053
2032.....	835,000	123,599	958,599	-	-	-	958,599
2033.....	815,000	99,949	914,949	-	-	-	914,949
2034.....	570,000	78,198	648,198	-	-	-	648,198
2035.....	405,000	61,326	466,326	-	-	-	466,326
2036.....	405,000	50,272	455,272	-	-	-	455,272
2037.....	405,000	38,647	443,647	-	-	-	443,647
2038.....	405,000	26,641	431,641	-	-	-	431,641
2039.....	405,000	14,448	419,448	-	-	-	419,448
2040.....	300,000	4,127	304,127	-	-	-	304,127
Total.....	\$ 27,537,550	\$ 5,840,921	\$ 33,378,471	\$ 2,168,448	\$ 161,918	\$ 2,330,366	\$ 35,708,837

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, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
Land acquisition.....	\$ 1,200,000
Landfill.....	6,695,000
Technology.....	200,000
Public works.....	1,170,000
Other miscellaneous projects.....	1,580,000
Town building and remodeling.....	8,270,000
Sewer projects.....	2,550,000
Water projects.....	9,000,000
Total.....	\$ <u>30,665,000</u>

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 80,589,451	\$ 4,873,000	\$ (6,985,000)	\$ -	\$ -	\$ 78,477,451	\$ 7,013,000
Add: Unamortized premium on bonds...	3,708,484	347,824	(680,844)	-	-	3,375,464	556,724
From direct borrowings and placements...	591,294	-	(29,124)	-	-	562,170	29,757
Total bonds payable.....	84,889,229	5,220,824	(7,694,968)	-	-	82,415,085	7,599,481
Capital lease obligations.....	136,014	-	-	-	(89,883)	46,131	46,131
Landfill closure.....	14,140,000	-	-	869,000	(309,000)	14,700,000	308,000
Compensated absences.....	4,728,000	-	-	2,292,000	(1,768,000)	5,252,000	2,177,000
Workers' compensation.....	99,000	-	-	234,000	(10,000)	323,000	32,000
Net pension liability.....	172,360,877	-	-	26,406,634	(42,440,594)	156,326,917	-
Net other postemployment benefits liability.....	118,973,806	-	-	14,003,846	(23,272,660)	109,704,992	-
Total governmental activity long-term liabilities.....	\$ <u>395,326,926</u>	\$ <u>5,220,824</u>	\$ <u>(7,694,968)</u>	\$ <u>43,805,480</u>	\$ <u>(67,890,137)</u>	\$ <u>368,768,125</u>	\$ <u>10,162,612</u>
Business-Type Activities:							
Long-term bonds payable.....	\$ 24,750,550	\$ 6,097,000	\$ (3,310,000)	\$ -	\$ -	\$ 27,537,550	\$ 3,592,000
Add: Unamortized premium on bonds...	705,099	502,999	(140,555)	-	-	1,067,543	191,425
From direct borrowings and placements...	2,444,267	-	(275,819)	-	-	2,168,448	281,391
Total bonds payable.....	27,899,916	6,599,999	(3,726,374)	-	-	30,773,541	4,064,816
Due to other governments.....	720,404	-	-	-	(89,829)	630,575	87,213
Compensated absences.....	353,000	-	-	219,000	(168,000)	404,000	185,000
Net pension liability.....	6,930,701	-	-	1,374,840	(1,744,871)	6,560,670	-
Net other postemployment benefits liability.....	8,799,994	-	-	2,459,208	(3,833,091)	7,426,111	-
Total business-type activity long-term liabilities.....	\$ <u>44,704,015</u>	\$ <u>6,599,999</u>	\$ <u>(3,726,374)</u>	\$ <u>4,053,048</u>	\$ <u>(5,835,791)</u>	\$ <u>45,794,897</u>	\$ <u>4,337,029</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above and include accrued liabilities totaling \$323,000 for workers' compensation. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The Town's highest level of decision-making authority is Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At year-end, the balance of the general stabilization fund totaled \$6,596,820 and is reported as unassigned fund balance within the General Fund. The Town also has additional stabilization funds for elder services, and debt service which totaled \$13,337 and \$1,120,375, respectively. These stabilization funds have been reported as components of committed fund balance.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Gas Disaster Paving Restoration Fund	Gas Disaster Mitigation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Cemetery.....	\$ -	\$ -	\$ -	\$ 1,266,307	\$ 1,266,307
Restricted for:					
Gas disaster paving restoration fund....	-	12,330,356	-	-	12,330,356
Gas disaster mitigation fund.....	-	-	1,641,615	-	1,641,615
School projects.....	-	-	-	1,606,641	1,606,641
Town grants/other revolving.....	-	-	-	4,175,930	4,175,930
School grants/other revolving.....	-	-	-	4,572,535	4,572,535
School lunch.....	-	-	-	143,671	143,671
Road/drainage projects.....	-	-	-	854,011	854,011
Ledge road landfill.....	-	-	-	1,919,957	1,919,957
Conservation.....	-	-	-	4,153	4,153
Municipal buildings.....	-	-	-	4,937,860	4,937,860
Other capital projects.....	-	-	-	6,756,407	6,756,407
Cemetery.....	-	-	-	467,827	467,827
Library.....	-	-	-	102,145	102,145
Town welfare/other.....	-	-	-	204,834	204,834
Debt service.....	453,580	-	-	-	453,580
Committed to:					
Continuing appropriations:					
General government.....	34,588	-	-	-	34,588
Community services.....	21,120	-	-	-	21,120
Elder services stabilization.....	13,337	-	-	-	13,337
Debt service stabilization.....	1,120,375	-	-	-	1,120,375
Assigned to:					
Encumbrances:					
General government.....	150,146	-	-	-	150,146
Public safety.....	123,464	-	-	-	123,464
Education.....	530,942	-	-	-	530,942
Public works.....	606,004	-	-	-	606,004
Public facilities.....	24,366	-	-	-	24,366
Community services.....	16,101	-	-	-	16,101
Library.....	5,506	-	-	-	5,506
Employee benefits.....	33,704	-	-	-	33,704
Unassigned.....	22,723,426	-	-	(690,948)	22,032,478
Total Fund Balances.....	\$ 25,856,659	\$ 12,330,356	\$ 1,641,615	\$ 26,321,330	\$ 66,149,960

NOTE 10 – RISK FINANCING

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

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

The liability at June 30, 2020, totaled \$1,825,000. Changes in the reported liability since July 1, 2018, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2019.....	\$ 1,884,000	\$ 26,384,000	\$ (26,356,000)	\$ 1,912,000
2020.....	1,912,000	25,630,085	(25,717,085)	1,825,000

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

At June 30, 2020, the amount of the liability for workers' compensation claims totaled \$323,000. Changes in the reported liability since July 1, 2018 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2019.....	\$ 630,000	\$ (487,000)	\$ (44,000)	\$ 99,000	\$ 10,000
2020.....	99,000	470,000	(246,000)	323,000	32,000

NOTE 11 – PENSION PLAN

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

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

Special Funding Situation – The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total

covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$22,893,211 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$188,782,964 as of the measurement date.

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

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

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

At December 31, 2019, the ACRS membership consists of the following:

Active members.....	756
Inactive members.....	145
Disabled members.....	42
Retirees and beneficiaries currently receiving benefits.....	458
Total.....	<u>1,401</u>

Contributions – Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2019, was \$11,518,013, or 27.22% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$11,110,355, while its actual contribution was \$11,410,355.

Pension Liabilities – The components of the net pension liability of the participating member units at June 30, 2020, were as follows:

Total pension liability.....	\$	326,701,771
Total pension plan's fiduciary net position.....		<u>(162,235,822)</u>
Total net pension liability.....	\$	<u>164,465,949</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		49.66%

At June 30, 2020, the Town reported a liability of \$162,887,587 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on the Town's proportion of the actuarial accrued liability relative to the proportion of the actuarial accrued liability attributable to all participating members. At December 31, 2019, the Town's proportion was 99.04%; which decreased from its proportion of 99.11% measured at December 31, 2018.

Pension Expense – For the year ended June 30, 2020, the Town recognized pension expense of \$20,659,267. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$12,068,442, and also reported deferred inflows of resources related to pensions of \$14,456,961. The balances of deferred outflows and inflows at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 2,748,796	\$ (3,427,847)	\$ (679,051)
Difference between projected and actual earnings, net.....	-	(9,851,889)	(9,851,889)
Changes in assumptions.....	8,305,780	-	8,305,780
Changes in proportion and proportionate share of contributions...	<u>1,013,866</u>	<u>(1,177,225)</u>	<u>(163,359)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>12,068,442</u>	\$ <u>(14,456,961)</u>	\$ <u>(2,388,519)</u>

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

Year ended June 30:

2021.....	\$	4,195,149
2022.....		(2,641,579)
2023.....		32,989
2024.....		<u>(3,975,078)</u>
Total.....	\$	<u>(2,388,519)</u>

Actuarial Assumptions - The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal Cost Method
Inflation rate.....	3.50%.
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4.
Cost of living adjustments.....	2.25% of first \$12,000 for fiscal 2021 and 3% of first \$12,000 thereafter.
Mortality Rates:	
Pre-Retirement.....	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Healthy Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally with Scale MP-2017.
Disabled Retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2017.
Investment rate of return/Discount rate.....	6.25%, net of plan investment expenses, including inflation.

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

The long-term expected rate of return on pension plan investments was selected by the Town. This rate is within a reasonable range for a 10-year expected return calculated using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation less investment expense and a risk factor. The System's expected future real rate of return is added to the expected inflation rate to produce the long-term nominal expected rate of return. Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019, are summarized in the table on the following page:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	33.00%	6.15%
International developed markets equity..	10.00%	6.78%
International emerging markets equity...	6.00%	8.65%
Core fixed income.....	11.00%	1.11%
High-yield fixed income.....	11.00%	3.51%
Real estate.....	15.00%	4.33%
Commodities.....	2.00%	4.13%
Hedge fund, GTAA, Risk parity.....	6.50%	3.19%
Private equity.....	5.50%	9.99%
Total.....	100.00%	

Rate of return – For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate – The discount rate used to measure the total pension liability was 6.25% for financial reporting for the measurement periods ending December 31, 2019, and December 31, 2018. The discount rate used to determine the actuarial determined contribution was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.25%)	Current Discount (6.25%)	1% Increase (7.25%)
The Town's proportionate share of the net pension liability.....	\$ 202,574,985	\$ 162,887,587	\$ 129,589,324
ACRS total net pension liability.....	\$ 204,537,913	\$ 164,465,949	\$ 130,845,029

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy – The contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2020, the Town's average contribution rate was 6.13% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2020, the Town pre-funded future OPEB liabilities totaling \$1,971,134 by contributing funds to the OPEB Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the net position of the OPEB trust fund totaled \$14,978,253. The Town implemented a plan to begin funding OPEB in 2017, consisting of an initial contribution of 0.4% of general fund revenue with contributions increasing 2.5% per year in subsequent years. In addition, the incremental annual savings in the health insurance budget generated in accordance with the Select Board vote on April 5, 2016, to implement a comprehensive OPEB reform plan by changing the retiree premium contribution split, are appropriated to the OPEB Trust Fund.

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

Employees Covered by Benefit Terms – The following table represents the Plan's membership at June 30, 2020:

Active members.....	1,382
Retired, Disabled, Survivors and Beneficiaries receiving benefits.....	759
Inactive members entitled to but not yet receiving benefits.....	28
Total.....	<u>2,169</u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 132,109,356
Less: OPEB plan's fiduciary net position.....	<u>(14,978,253)</u>
Net OPEB liability.....	<u>\$ 117,131,103</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	11.34%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020, to be in accordance with GASB Statement #74 and GASB Statement #75:

Valuation date.....	July 1, 2019, updated to measurement date of June 30, 2020
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market value of assets with payables and receivables.
Discount rate.....	6.00%, net of investment expense
Projected salary increases.....	3.00%
Mortality rates.....	Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2019. Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019. Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019, set forward two years.

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments was 3.65%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and by subtracting expected investment expenses and a risk margin.

Best estimates of geometric real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity.....	43.88%	4.52%
U.S. Mid-Cap Equity.....	2.11%	6.39%
U.S. Small-Cap Equity.....	0.84%	4.72%
International Equity.....	10.18%	4.52%
Emerging Market Equity.....	3.03%	7.66%
Multi-Strategy.....	7.00%	2.79%
U.S. Short-Duration Government/Credit Bonds.....	4.65%	0.10%
U.S. Aggregate Bonds.....	19.80%	0.20%
U.S. Treasury Inflation-Projected Securities.....	3.25%	-0.20%
U.S. High Yield Bonds.....	4.78%	1.96%
U.S. Long-Duration Treasuries.....	0.48%	0.00%
Total.....	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 6.00% as of June 30, 2020 and June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 140,266,084	\$ 12,492,284	\$ 127,773,800
Changes for the year:			
Service cost.....	3,457,542	-	3,457,542
Interest.....	8,487,889	-	8,487,889
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience.....	(6,118,570)	-	(6,118,570)
Changes in assumptions.....	(9,465,966)	-	(9,465,966)
Benefit payments.....	(4,517,623)	(4,517,623)	-
Employer contributions.....	-	1,982,567	(1,982,567)
Employer contributions for OPEB payments.....	-	4,517,623	(4,517,623)
Net investment income.....	-	503,402	(503,402)
Net change.....	(8,156,728)	2,485,969	(10,642,697)
Balances at June 30, 2020.....	\$ 132,109,356	\$ 14,978,253	\$ 117,131,103

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability.....	\$ 136,215,834	\$ 117,131,103	\$ 101,588,821

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 98,627,160	\$ 117,131,103	\$ 140,447,776

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$8,000,290. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 5,003,012	\$ (4,914,127)	\$ 88,885
Changes in assumptions.....	736,564	(15,778,296)	(15,041,732)
Difference between projected and actual earnings.....	104,523	-	104,523
Changes in proportion and proportionate share of contributions...	593,237	(593,237)	-
Total deferred outflows/(inflows) of resources.....	\$ 6,437,336	\$ (21,285,660)	\$ (14,848,324)

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

Measurement date year ended June 30:

2021.....	\$ (3,120,526)
2022.....	(3,120,526)
2023.....	(4,072,199)
2024.....	(4,289,646)
2025.....	(245,427)
Total.....	\$ (14,848,324)

Changes of Assumptions – The mortality assumption was changed from projection scale MP-2016 to scale MP-2019. The morbidity assumption was changed to calculate age-graded claim rates based on health care costs.

The elimination of the Cadillac Tax that was included in the Patient Protection and Affordable Coverage Act (PPACA); which was eliminated due to a change in legislation.

Changes in Plan Provisions – None

NOTE 13 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$14,700,000 as the estimate of the landfill closure liability at June 30, 2020, 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 or lower due to inflation/deflation, changes in technology, or changes in regulations.

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

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

	Pension Trust Fund (as of December 31, 2019)	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 786,803	\$ -	\$ 786,803
Investments:			
Investments in Pension Reserve Investment Trust.....	132,587,931	-	132,587,931
Mutual funds.....	28,880,913	14,978,253	43,859,166
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	4,153	-	4,153
TOTAL ASSETS.....	162,259,800	14,978,253	177,238,053
LIABILITIES			
Warrants payable.....	23,978	-	23,978
NET POSITION			
Restricted for pensions.....	162,235,822	-	162,235,822
Restricted for other postemployment benefits.....	-	14,978,253	14,978,253
TOTAL NET POSITION.....	\$ 162,235,822	\$ 14,978,253	\$ 177,214,075

	Pension Trust Fund (as of December 31, 2019)	Other Postemployment Benefit Trust Fund	Total Pension and Other Postemployment Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 11,518,013	\$ 1,971,134	\$ 13,489,147
Employer contributions for other postemployment benefit payments.....	-	4,517,623	4,517,623
Member contributions.....	4,148,777	-	4,148,777
Transfers from other systems.....	982,922	-	982,922
State COLA reimbursements.....	67,493	-	67,493
Intergovernmental.....	-	11,433	11,433
Total contributions.....	16,717,205	6,500,190	23,217,395
Net investment income:			
Investment income.....	25,529,523	503,402	26,032,925
Less: investment expense.....	(590,539)	-	(590,539)
Net investment income.....	24,938,984	503,402	25,442,386
TOTAL ADDITIONS.....	41,656,189	7,003,592	48,659,781
DEDUCTIONS:			
Administration.....	286,739	-	286,739
Transfers to other systems.....	1,100,714	-	1,100,714
Retirement benefits and refunds.....	15,627,553	-	15,627,553
Other postemployment benefit payments.....	-	4,517,623	4,517,623
TOTAL DEDUCTIONS.....	17,015,006	4,517,623	21,532,629
NET INCREASE (DECREASE) IN NET POSITION.....	24,641,183	2,485,969	27,127,152
NET POSITION AT BEGINNING OF YEAR.....	137,594,639	12,492,284	150,086,923
NET POSITION AT END OF YEAR.....	\$ 162,235,822	\$ 14,978,253	\$ 177,214,075

NOTE 15 – COLUMBIA GAS DISASTER

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

In 2019, the Town received \$13,965,000 for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the event, and that revenue was reported in the Gas Disaster Paving Restoration fund. The Town anticipates completing the paving restoration within four full summer paving seasons, or by December 31, 2023. As of June 30, 2020, the ending fund balance of the Gas Disaster Paving Restoration fund totaled \$12,330,356. Any proceeds not appropriated by the legislative body to be spent in accordance with the agreement by December 31, 2023, will close to the general fund.

In 2019, the Town received \$3,000,000 of mitigation funds, which have been reported in the Gas Disaster Mitigation Fee fund. The mitigation fees represent recovery of liabilities, claims, damages (including soft surface restoration), including but not limited to lost revenues, prior and future permit and inspection fees, depreciation and damage to municipal property. Any claims not covered by the Gas Disaster Reimbursement fund (more fully explained in the following paragraph) may be covered with these proceeds. All remaining funds must be appropriated by Town Meeting to be expended in accordance with the Settlement Agreement. As of June 30, 2020, the ending fund balance of the Gas Disaster Mitigation fund totaled \$1,641,615. Any proceeds not expended for the purpose described in the Settlement Agreement by December 31, 2021, will close to the general fund.

Columbia agreed to a maximum reimbursement of \$3,851,250 for direct substantiated losses submitted for reimbursement to Columbia no later than December 31, 2019. During the reimbursement period, a total of \$2,457,587 was received to offset direct costs of \$1,749,253, vehicle depreciation of \$124,972 and lost revenue of \$583,362 for waived parking and permit fees resulting from the event. On June 19, 2019, the Town appropriated the remaining balance of \$645,765 in the Gas Disaster Reimbursement fund for capital purposes and transferred the balance to a capital reserve fund.

NOTE 16 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing certain Town revenues. The Town has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 17 – TAX INCREMENT FINANCING AGREEMENTS

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

For the fiscal year ended June 30, 2020, the Town exempted property taxes totaling \$2,066,846 under this program.

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

NOTE 18 – DUE TO OTHER GOVERNMENTS

On June 4, 2018, the Town entered into an intermunicipal agreement with the Town of North Reading, as approved by Massachusetts Session Laws, Chapter 109 of the Acts of 2018, whereas the Town of Andover has agreed to supply and sell potable water to the Town of North Reading and the Town of North Reading agreed to receive and pay for potable water from the Town of Andover for a term of 99 years. Additionally, the Town of Andover agreed to reimburse the Town of North Reading for \$953,000 of costs already incurred to join the Massachusetts Water Resources Authority (MWRA). The reimbursement will be applied as credits to the Town of North Reading's water usage costs over the next 10 years. The discounted future cash flows related to these reimbursements totaling \$630,575 has been reported as a liability - due to other governments in the water enterprise fund as of June 30, 2020.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2020, 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

The Town has entered into or is planning to enter into contracts totaling \$8,270,000 for construction and renovation of Town buildings.

The Town has entered into or is planning to enter into contracts totaling \$11,550,000 for water and sewer infrastructure projects.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2020, which is the date the financial statements were available to be issued.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 150,342,680	\$ 150,339,744	\$ 150,317,210	\$ -	\$ (22,534)
Tax liens.....	-	-	224,975	-	224,975
Motor vehicle and other excise taxes.....	5,826,858	5,826,858	5,962,010	-	135,152
Hotel/motel tax.....	1,793,321	1,793,321	1,807,513	-	14,192
Meals tax.....	565,345	565,345	601,416	-	36,071
Penalties and interest on taxes.....	461,500	461,500	557,100	-	95,600
Licenses and permits.....	2,400,000	2,400,000	3,209,427	-	809,427
Intergovernmental.....	13,929,158	13,929,158	14,610,563	-	681,405
Departmental and other.....	3,677,355	3,677,355	3,054,664	-	(622,691)
Investment income.....	631,269	631,269	1,129,174	-	497,905
TOTAL REVENUES.....	179,627,486	179,624,550	181,474,052	-	1,849,502
EXPENDITURES:					
General Government.....	8,942,471	9,126,588	8,617,691	184,734	324,163
Public Safety.....	17,447,023	17,634,838	17,374,975	123,464	136,399
Technical schools.....	647,149	673,805	673,805	-	-
School department.....	86,122,777	86,122,782	85,591,840	530,942	-
Public Works.....	9,280,543	9,468,557	8,761,779	606,004	100,774
Public facilities.....	3,927,516	4,030,321	3,488,532	24,366	517,423
Community services.....	2,451,053	2,505,515	2,165,296	37,221	302,998
Library.....	2,844,388	2,882,451	2,684,045	5,506	192,900
Compensation fund.....	590,000	41,266	-	-	41,266
Reserve fund.....	200,000	140,000	-	-	140,000
Pension benefits.....	11,410,355	11,410,355	11,410,355	-	-
Property and liability insurance.....	1,064,473	1,064,473	1,064,473	-	-
Employee benefits.....	23,070,401	23,070,401	23,036,697	33,704	-
State and county charges.....	718,202	718,202	769,672	-	(51,470)
Debt service:					
Principal.....	10,599,943	10,599,943	10,599,943	-	-
Interest.....	4,549,682	4,373,543	4,372,657	-	886
Total Debt service.....	15,149,625	14,973,486	14,972,600	-	886
TOTAL EXPENDITURES.....	183,865,976	183,863,040	180,611,760	1,545,941	1,705,339
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(4,238,490)	(4,238,490)	862,292	(1,545,941)	3,554,841
OTHER FINANCING SOURCES (USES):					
Transfers in.....	6,805,835	6,805,835	6,805,835	-	-
Transfers out.....	(3,963,698)	(3,963,698)	(3,963,698)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,842,137	2,842,137	2,842,137	-	-
NET CHANGE IN FUND BALANCE.....	(1,396,353)	(1,396,353)	3,704,429	(1,545,941)	3,554,841
BUDGETARY FUND BALANCE, Beginning of year..	14,005,987	14,005,987	14,005,987	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 12,609,634	\$ 12,609,634	\$ 17,710,416	\$ (1,545,941)	\$ 3,554,841

See notes to required supplementary information.

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Pension Plan Schedules – Retirement System

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Total pension liability:						
Service cost.....	\$ 4,830,379	\$ 5,031,130	\$ 7,081,423	\$ 7,340,269	\$ 7,335,218	\$ 7,603,343
Interest.....	16,502,651	17,252,209	17,341,752	18,050,660	19,168,955	19,891,392
Differences between expected and actual experience.....	-	(3,424,106)	-	5,550,864	-	(3,612,969)
Changes in assumptions.....	-	46,223,459	-	1,364,706	-	-
Benefit payments.....	(11,786,173)	(11,937,955)	(12,610,258)	(14,068,711)	(14,748,757)	(15,677,852)
Net change in total pension liability.....	9,546,857	53,144,737	11,812,917	18,237,788	11,755,416	8,203,914
Total pension liability - beginning.....	214,000,142	223,546,999	276,691,736	288,504,653	306,742,441	318,497,857
Total pension liability - ending (a).....	\$ 223,546,999	\$ 276,691,736	\$ 288,504,653	\$ 306,742,441	\$ 318,497,857	\$ 326,701,771
Plan fiduciary net position:						
Employer contributions.....	\$ 6,281,397	\$ 8,007,778	\$ 8,665,124	\$ 9,517,477	\$ 10,464,565	\$ 11,518,013
Member contributions.....	3,511,255	3,659,016	3,785,282	3,853,001	4,025,018	4,148,777
Net investment income (loss).....	8,085,611	999,647	8,351,875	21,179,080	(5,622,341)	24,938,984
Administrative expenses.....	(240,330)	(262,001)	(286,066)	(267,297)	(295,608)	(286,739)
Retirement benefits and refunds.....	(11,786,173)	(11,937,955)	(12,610,258)	(14,068,711)	(14,748,757)	(15,677,852)
Net increase (decrease) in fiduciary net position.....	5,851,760	466,485	7,905,957	20,213,550	(6,177,123)	24,641,183
Fiduciary net position - beginning of year.....	109,334,010	115,185,770	115,652,255	123,558,212	143,771,762	137,594,639
Fiduciary net position - end of year (b).....	\$ 115,185,770	\$ 115,652,255	\$ 123,558,212	\$ 143,771,762	\$ 137,594,639	\$ 162,235,822
Net pension liability - ending (a)-(b).....	\$ 108,361,229	\$ 161,039,481	\$ 164,946,441	\$ 162,970,679	\$ 180,903,218	\$ 164,465,949
Plan fiduciary net position as a percentage of the total pension liability.....	51.53%	41.80%	42.83%	46.87%	43.20%	49.66%
Covered payroll.....	\$ 36,488,870	\$ 36,946,467	\$ 38,583,218	\$ 38,828,166	\$ 40,545,376	\$ 42,318,976
Net pension liability as a percentage of covered payroll.....	296.97%	435.87%	427.51%	419.72%	446.17%	388.63%
Discount Rate used for the ending net pension liability.....	7.75%	6.25%	6.25%	6.25%	6.25%	6.25%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2019.....	\$ 11,218,013	\$ (11,518,013)	\$ (300,000)	\$ 42,318,976	27.22%
December 31, 2018.....	10,464,565	(10,464,565)	-	40,545,376	25.81%
December 31, 2017.....	9,513,240	(9,517,477)	(4,237)	38,828,166	24.51%
December 31, 2016.....	8,648,400	(8,665,124)	(16,724)	38,583,218	22.46%
December 31, 2015.....	8,007,778	(8,007,778)	-	36,946,467	21.67%
December 31, 2014.....	6,281,397	(6,281,397)	-	36,488,870	17.21%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
ANDOVER CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2019.....	18.43%
December 31, 2018.....	-3.94%
December 31, 2017.....	17.63%
December 31, 2016.....	7.37%
December 31, 2015.....	0.87%
December 31, 2014.....	7.57%

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

See notes to required supplementary information.

Pension Plan Schedules – Town

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

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

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

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

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

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>	<u>Discount Rate used for the net pension liability</u>
December 31, 2019.....	99.04%	\$ 162,887,587	\$ 41,766,058	390.00%	49.66%	6.25%
December 31, 2018.....	99.11%	179,291,578	40,024,710	447.95%	43.20%	6.25%
December 31, 2017.....	99.11%	161,518,798	38,327,526	421.42%	46.87%	6.25%
December 31, 2016.....	99.23%	163,674,229	38,195,809	428.51%	42.83%	6.25%
December 31, 2015.....	99.23%	159,797,403	36,575,628	436.90%	41.80%	6.25%
December 31, 2014.....	99.24%	107,541,748	36,036,778	298.42%	51.53%	7.75%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 11,110,355	\$ (11,410,355)	\$ (300,000)	\$ 42,601,379	26.78%
June 30, 2019.....	10,371,338	(10,371,338)	-	40,825,204	25.40%
June 30, 2018.....	9,428,488	(9,449,449)	(20,961)	39,094,077	24.17%
June 30, 2017.....	8,581,696	(8,581,696)	-	38,959,725	22.03%
June 30, 2016.....	7,929,291	(7,929,291)	-	37,307,141	21.25%
June 30, 2015.....	6,207,276	(6,207,276)	-	36,757,514	16.89%

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

See notes to required supplementary information.

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

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

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2020..... \$	188,782,964	\$ 22,893,211	53.95%
2019.....	176,905,548	17,926,816	54.84%
2018.....	168,589,392	17,596,166	54.25%
2017.....	162,869,117	16,613,718	52.73%
2016.....	152,894,310	12,401,089	55.38%
2015.....	117,449,333	8,159,769	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 5,605,421	\$ 4,186,467	\$ 4,451,353	\$ 3,457,542
Interest.....	9,299,269	7,514,930	8,448,402	8,487,889
Changes of benefit terms.....	(42,080,306)	-	(10,540,194)	-
Differences between expected and actual experience.....	-	10,865,917	-	(6,118,570)
Changes of assumptions.....	(6,594,974)	1,599,726	(12,768,804)	(9,465,966)
Benefit payments.....	(4,647,800)	(4,923,643)	(4,985,511)	(4,517,623)
Net change in total OPEB liability.....	(38,418,390)	19,243,397	(15,394,754)	(8,156,728)
Total OPEB liability - beginning.....	174,835,831	136,417,441	155,660,838	140,266,084
Total OPEB liability - ending (a).....	<u>\$ 136,417,441</u>	<u>\$ 155,660,838</u>	<u>\$ 140,266,084</u>	<u>\$ 132,109,356</u>
Plan fiduciary net position				
Employer contributions.....	\$ 1,502,579	\$ 1,648,721	\$ 1,811,888	\$ 1,971,134
Employer contributions for OPEB payments.....	4,647,800	4,923,643	4,985,511	4,517,623
Other contributions.....	-	-	7,060	11,433
Net investment income.....	730,782	636,085	720,254	503,402
Benefit payments.....	(4,647,800)	(4,923,643)	(4,985,511)	(4,517,623)
Net change in plan fiduciary net position.....	2,233,361	2,284,806	2,539,202	2,485,969
Plan fiduciary net position - beginning of year.....	5,434,915	7,668,276	9,953,082	12,492,284
Plan fiduciary net position - end of year (b).....	<u>\$ 7,668,276</u>	<u>\$ 9,953,082</u>	<u>\$ 12,492,284</u>	<u>\$ 14,978,253</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 128,749,165</u>	<u>\$ 145,707,756</u>	<u>\$ 127,773,800</u>	<u>\$ 117,131,103</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	5.62%	6.39%	8.91%	11.34%
Covered-employee payroll.....	\$ 91,219,966	\$ 96,676,019	\$ 101,528,686	\$ 106,084,030
Net OPEB liability as a percentage of covered-employee payroll.....	141.14%	150.72%	125.85%	110.41%
Discount rate used for the net OPEB liability at year end.....	5.44%	5.36%	6.00%	6.00%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 9,610,000	\$ (6,500,190)	\$ 3,109,810	\$ 106,084,030	6.13%
June 30, 2019.....	10,148,465	(6,804,459)	3,344,006	101,528,686	6.70%
June 30, 2018.....	9,967,599	(6,572,364)	3,395,235	96,676,019	6.80%
June 30, 2017.....	9,437,501	(6,150,379)	3,287,122	91,219,966	6.74%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	3.65%
June 30, 2019.....	6.48%
June 30, 2018.....	7.21%
June 30, 2017.....	12.10%

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

See notes to required supplementary information.

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

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

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

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. Town Meeting has authorized appropriations at the functional expenditure classification level. 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 2020 approved budget authorized approximately \$187.8 million in appropriations and other amounts to be raised. There were no supplemental appropriations in 2020.

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

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$ 3,704,429
<u>Perspective differences:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP....	114,786
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	414,509
Net change in recording tax refunds payable.....	152,000
Recognition of revenue for on-behalf payments.....	22,893,211
Recognition of expenditures for on-behalf payments.....	(22,893,211)
Net change in fund balance - GAAP basis.....	\$ <u>4,385,724</u>

3. Appropriation Deficits

During 2020, actual expenditures exceeded appropriations for State and County charges. State and County charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The Town is not required to raise the State and County assessment deficit.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

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

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

B. Schedule of Contributions

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

C. Schedule of Investment Return

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

Pension Plan Schedules – Town of Andover

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

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

B. Schedule of the Town's Contributions

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

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

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

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

D. Changes of Assumptions and Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit Plan

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

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

B. Schedule of the Town's Contributions

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

Methods and assumptions used to determine contribution rates as follows:

Valuation date.....	July 1, 2019, updated to measurement date of June 30, 2020
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market value of assets with payables and receivables.
Discount rate.....	6.00%, net of investment expense
Projected salary increases.....	3.00%
Mortality rates.....	<p>Actives: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for employees projected using generational mortality and scale MP-2019.</p> <p>Retirees: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019.</p> <p>Disabled: The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for healthy annuitants projected using generational mortality and scale MP-2019, set forward two years.</p>

C. Schedule of Investment Returns

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

D. Changes of Assumptions and Plan Provisions

The mortality assumption was changed from projection scale MP-2016 to scale MP-2019. The morbidity assumption was changed to calculate age-graded claim rates based on Health Care Costs. The elimination of the Cadillac Tax that was included in the Patient Protection and Affordable Coverage Act (PPACA); which was eliminated due to a change in legislation. There were no changes in plan provisions.

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

COVID-19 – This fund is used to account for funds received from federal and state governments to assist in funding additional costs associated with the COVID-19 Pandemic.

Capital Projects Funds

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

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

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

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

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

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

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

Permanent Funds

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

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

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

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

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

	Special Revenue Funds				
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	COVID-19 Funds	Subtotal
ASSETS					
Cash and cash equivalents.....	\$ 3,315,465	\$ 4,531,568	\$ 173,811	\$ -	\$ 8,020,844
Investments.....	1,303,456	-	-	-	1,303,456
Receivables, net of uncollectibles:					
Departmental and other.....	61,962	-	-	-	61,962
Intergovernmental.....	112,940	246,833	-	267,819	627,592
TOTAL ASSETS.....	\$ 4,793,823	\$ 4,778,401	\$ 173,811	\$ 267,819	\$ 10,013,854
LIABILITIES					
Warrants payable.....	\$ 332,333	\$ 56,934	\$ 28,902	\$ 1,132	\$ 419,301
Accrued payroll.....	37,337	148,932	1,238	-	187,507
Due to other funds.....	-	-	-	92,357	92,357
Other liabilities.....	191,069	-	-	-	191,069
Unearned Revenue.....	-	-	-	174,330	174,330
Notes payable.....	-	-	-	-	-
TOTAL LIABILITIES.....	560,739	205,866	30,140	267,819	1,064,564
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	57,154	-	-	-	57,154
FUND BALANCES					
Nonspendable.....	-	-	-	-	-
Restricted.....	4,175,930	4,572,535	143,671	-	8,892,136
Unassigned.....	-	-	-	-	-
TOTAL FUND BALANCES.....	4,175,930	4,572,535	143,671	-	8,892,136
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 4,793,823	\$ 4,778,401	\$ 173,811	\$ 267,819	\$ 10,013,854

Capital Project Funds						
Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	School Projects	Other	Subtotal
\$ 904,011	\$ 1,927,498	\$ 4,153	\$ 7,940,963	\$ 1,612,741	\$ 7,311,449	\$ 19,700,815
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	104,399	104,399
<u>\$ 904,011</u>	<u>\$ 1,927,498</u>	<u>\$ 4,153</u>	<u>\$ 7,940,963</u>	<u>\$ 1,612,741</u>	<u>\$ 7,415,848</u>	<u>\$ 19,805,214</u>
\$ -	\$ 7,541	\$ -	\$ 1,076,103	\$ 6,100	\$ 266,194	\$ 1,355,938
-	-	-	-	-	195	195
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
50,000	-	-	1,927,000	-	1,084,000	3,061,000
50,000	7,541	-	3,003,103	6,100	1,350,389	4,417,133
-	-	-	-	-	-	-
-	-	-	-	-	-	-
854,011	1,919,957	4,153	4,937,860	1,606,641	6,756,407	16,079,029
-	-	-	-	-	(690,948)	(690,948)
854,011	1,919,957	4,153	4,937,860	1,606,641	6,065,459	15,388,081
<u>\$ 904,011</u>	<u>\$ 1,927,498</u>	<u>\$ 4,153</u>	<u>\$ 7,940,963</u>	<u>\$ 1,612,741</u>	<u>\$ 7,415,848</u>	<u>\$ 19,805,214</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2020

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
ASSETS					
Cash and cash equivalents.....	\$ 1,342,507	\$ 452,970	\$ 245,636	\$ 2,041,113	\$ 29,762,772
Investments.....	-	-	-	-	1,303,456
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	61,962
Intergovernmental.....	-	-	-	-	731,991
TOTAL ASSETS.....	\$ 1,342,507	\$ 452,970	\$ 245,636	\$ 2,041,113	\$ 31,860,181
LIABILITIES					
Warrants payable.....	\$ -	\$ -	\$ -	\$ -	\$ 1,775,239
Accrued payroll.....	-	-	-	-	187,702
Due to other funds.....	-	-	-	-	92,357
Other liabilities.....	-	-	-	-	191,069
Unearned Revenue.....	-	-	-	-	174,330
Notes payable.....	-	-	-	-	3,061,000
TOTAL LIABILITIES.....	-	-	-	-	5,481,697
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	-	-	-	-	57,154
FUND BALANCES					
Nonspendable.....	874,680	350,825	40,802	1,266,307	1,266,307
Restricted.....	467,827	102,145	204,834	774,806	25,745,971
Unassigned.....	-	-	-	-	(690,948)
TOTAL FUND BALANCES.....	1,342,507	452,970	245,636	2,041,113	26,321,330
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 1,342,507	\$ 452,970	\$ 245,636	\$ 2,041,113	\$ 31,860,181

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

YEAR ENDED JUNE 30, 2020

	Special Revenue Funds				
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	COVID-19 Funds	Subtotal
REVENUES:					
Charges for services.....	\$ 943,623	\$ -	\$ -	\$ -	\$ 943,623
Intergovernmental - School Building Authority.....	-	-	-	-	-
Intergovernmental.....	996,557	4,693,995	697,322	-	6,387,874
Intergovernmental - COVID-19 Relief.....	-	-	-	406,209	406,209
Departmental and other.....	3,463,809	2,406,708	1,709,305	-	7,579,822
Contributions and donations.....	36,825	14,326	-	-	51,151
Investment income.....	111,131	-	-	-	111,131
TOTAL REVENUES.....	5,551,945	7,115,029	2,406,627	406,209	15,479,810
EXPENDITURES:					
Current:					
General government.....	1,218,102	-	-	-	1,218,102
Public safety.....	1,410,592	-	-	-	1,410,592
Education.....	-	6,559,599	2,447,232	-	9,006,831
Public works.....	73,507	-	-	-	73,507
Public facilities.....	194,213	-	-	-	194,213
Community services.....	1,839,334	-	-	-	1,839,334
Library.....	52,164	-	-	-	52,164
COVID-19.....	-	-	-	406,209	406,209
Capital outlay.....	57,150	-	-	-	57,150
TOTAL EXPENDITURES.....	4,845,062	6,559,599	2,447,232	406,209	14,258,102
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	706,883	555,430	(40,605)	-	1,221,708
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	-	-	-
Premium from issuance of bonds.....	1,824	-	-	-	1,824
Transfers in.....	-	-	-	-	-
Transfers out.....	(778,275)	-	-	-	(778,275)
TOTAL OTHER FINANCING SOURCES (USES).....	(776,451)	-	-	-	(776,451)
NET CHANGE IN FUND BALANCES.....	(69,568)	555,430	(40,605)	-	445,257
FUND BALANCES AT BEGINNING OF YEAR.....	4,245,498	4,017,105	184,276	-	8,446,879
FUND BALANCES AT END OF YEAR.....	\$ 4,175,930	\$ 4,572,535	\$ 143,671	\$ -	\$ 8,892,136

Capital Project Funds						
Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	School Projects	Other	Subtotal
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	246,352	246,352
-	-	-	150,000	-	-	150,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	235,296	-	3,048	238,344
-	-	-	-	-	-	-
-	-	-	385,296	-	249,400	634,696
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
217,927	193,684	-	4,866,939	466,056	7,001,988	12,746,594
217,927	193,684	-	4,866,939	466,056	7,001,988	12,746,594
(217,927)	(193,684)	-	(4,481,643)	(466,056)	(6,752,588)	(12,111,898)
-	-	-	3,500,000	319,000	1,054,000	4,873,000
-	-	-	-	-	346,000	346,000
-	-	-	700,000	-	4,982,333	5,682,333
-	-	-	-	-	-	-
-	-	-	4,200,000	319,000	6,382,333	10,901,333
(217,927)	(193,684)	-	(281,643)	(147,056)	(370,255)	(1,210,565)
1,071,938	2,113,641	4,153	5,219,503	1,753,697	6,435,714	16,598,646
\$ 854,011	\$ 1,919,957	\$ 4,153	\$ 4,937,860	\$ 1,606,641	\$ 6,065,459	\$ 15,388,081

(Continued)

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

YEAR ENDED JUNE 30, 2020

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery	Library	Town Welfare/ Other	Subtotal	
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 943,623
Intergovernmental - School Building Authority.....	-	-	-	-	246,352
Intergovernmental.....	-	-	-	-	6,537,874
Intergovernmental - COVID-19 Relief.....	-	-	-	-	406,209
Departmental and other.....	-	-	-	-	7,579,822
Contributions and donations.....	21,431	-	-	21,431	310,926
Investment income.....	28,716	6,969	3,773	39,458	150,589
TOTAL REVENUES.....	50,147	6,969	3,773	60,889	16,175,395
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	1,218,102
Public safety.....	-	-	-	-	1,410,592
Education.....	-	-	-	-	9,006,831
Public works.....	1,530	-	-	1,530	75,037
Public facilities.....	-	-	-	-	194,213
Community services.....	-	-	1,327	1,327	1,840,661
Library.....	-	16,546	-	16,546	68,710
COVID-19.....	-	-	-	-	406,209
Capital outlay.....	-	-	-	-	12,803,744
TOTAL EXPENDITURES.....	1,530	16,546	1,327	19,403	27,024,099
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	48,617	(9,577)	2,446	41,486	(10,848,704)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds.....	-	-	-	-	4,873,000
Premium from issuance of bonds.....	-	-	-	-	347,824
Transfers in.....	-	-	-	-	5,682,333
Transfers out.....	-	-	-	-	(778,275)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-	10,124,882
NET CHANGE IN FUND BALANCES.....	48,617	(9,577)	2,446	41,486	(723,822)
FUND BALANCES AT BEGINNING OF YEAR.....	1,293,890	462,547	243,190	1,999,627	27,045,152
FUND BALANCES AT END OF YEAR.....	\$ 1,342,507	\$ 452,970	\$ 245,636	\$ 2,041,113	\$ 26,321,330

(Concluded)

Internal Service Funds

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

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

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

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

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Health Insurance</u>	<u>Worker's Compensation</u>	<u>Total Internal Service Funds</u>
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 107,587	\$ 380,838	\$ 10,590,584	\$ 248,698	\$ 11,327,707
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	<u>-</u>	<u>-</u>	<u>1,497,572</u>	<u>-</u>	<u>1,497,572</u>
TOTAL ASSETS.....	<u>107,587</u>	<u>380,838</u>	<u>12,088,156</u>	<u>248,698</u>	<u>12,825,279</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	-	-	181,417	-	181,417
Health claims payable.....	-	-	1,825,000	-	1,825,000
Other liabilities.....	-	-	437,284	-	437,284
Workers' compensation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>32,000</u>
Total current liabilities.....	<u>-</u>	<u>-</u>	<u>2,443,701</u>	<u>32,000</u>	<u>2,475,701</u>
NONCURRENT:					
Workers' compensation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,000</u>	<u>291,000</u>
TOTAL LIABILITIES.....	<u>-</u>	<u>-</u>	<u>2,443,701</u>	<u>323,000</u>	<u>2,766,701</u>
NET POSITION					
Unrestricted.....	<u>\$ 107,587</u>	<u>\$ 380,838</u>	<u>\$ 9,644,455</u>	<u>\$ (74,302)</u>	<u>\$ 10,058,578</u>

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

YEAR ENDED JUNE 30, 2020

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions.....	\$ -	\$ -	\$ 7,876,200	\$ -	\$ 7,876,200
Employer contributions.....	-	-	21,628,728	51,134	21,679,862
TOTAL OPERATING REVENUES	-	-	29,504,928	51,134	29,556,062
OPERATING EXPENSES:					
Property and liability insurance.....	9,233	-	-	-	9,233
Employee benefits.....	-	-	24,987,992	224,000	25,211,992
TOTAL OPERATING EXPENSES.....	9,233	-	24,987,992	224,000	25,221,225
OPERATING INCOME.....	(9,233)	-	4,516,936	(172,866)	4,334,837
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	1,829	6,274	65,011	-	73,114
CHANGE IN NET POSITION.....	(7,404)	6,274	4,581,947	(172,866)	4,407,951
NET POSITION AT BEGINNING OF YEAR.....	114,991	374,564	5,062,508	98,564	5,650,627
NET POSITION AT END OF YEAR.....	\$ 107,587	\$ 380,838	\$ 9,644,455	\$ (74,302)	\$ 10,058,578

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ -	\$ -	\$ 7,876,200	\$ -	\$ 7,876,200
Receipts from interfund services provided.....	-	-	20,373,615	51,134	20,424,749
Payments to vendors.....	(9,233)	-	-	-	(9,233)
Payments for interfund services used.....	-	-	(25,717,085)	-	(25,717,085)
NET CASH FROM OPERATING ACTIVITIES.....	(9,233)	-	2,532,730	51,134	2,574,631
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	1,829	6,274	65,011	-	73,114
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(7,404)	6,274	2,597,741	51,134	2,647,745
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR...	114,991	374,564	7,992,843	197,564	8,679,962
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 107,587</u>	<u>\$ 380,838</u>	<u>\$ 10,590,584</u>	<u>\$ 248,698</u>	<u>\$ 11,327,707</u>
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (9,233)	\$ -	\$ 4,516,936	\$ (172,866)	\$ 4,334,837
Adjustments to reconcile operating income to net					
Changes in assets and liabilities:					
Departmental and other.....	-	-	(1,255,113)	-	(1,255,113)
Warrants payable.....	-	-	(486,495)	-	(486,495)
Health claims payable.....	-	-	(87,000)	-	(87,000)
Other liabilities.....	-	-	(155,598)	-	(155,598)
Workers' compensation.....	-	-	-	224,000	224,000
Total adjustments.....	-	-	(1,984,206)	224,000	(1,760,206)
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ (9,233)</u>	<u>\$ -</u>	<u>\$ 2,532,730</u>	<u>\$ 51,134</u>	<u>\$ 2,574,631</u>

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2020

	June 30, 2019	Additions	Deletions	June 30, 2020
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,173,123	\$ 1,020,108	\$ (1,062,056)	\$ 1,131,175
LIABILITIES				
Liabilities due depositors.....	\$ 1,173,123	\$ 1,020,108	\$ (1,062,056)	\$ 1,131,175

Statistical Section



Fosters Pond



Andover Historic Mill District

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position By Component

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets.....	\$ 93,315,362	\$ 97,503,961	\$ 104,403,021	\$ 113,445,872	\$ 113,175,340	\$ 119,176,309	\$ 117,289,661	\$ 114,397,564	\$ 118,786,722	\$ 120,784,434
Restricted.....	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277	8,921,380	9,181,609	10,983,413	11,300,312
Unrestricted.....	<u>(33,596,579)</u>	<u>(42,544,729)</u>	<u>(46,622,291)</u>	<u>(49,559,677)</u>	<u>(151,227,241)</u>	<u>(174,133,075)</u>	<u>(229,559,125)</u>	<u>(238,349,204)</u>	<u>(227,610,160)</u>	<u>(231,694,365)</u>
Total governmental activities net position.....	<u>\$ 63,695,076</u>	<u>\$ 61,154,070</u>	<u>\$ 67,031,136</u>	<u>\$ 74,110,239</u>	<u>\$ (28,000,575)</u>	<u>\$ (46,464,489)</u>	<u>\$ (103,348,084)</u>	<u>\$ (114,770,031)</u>	<u>\$ (97,840,025)</u>	<u>\$ (99,609,619)</u>
Business-type activities										
Net investment in capital assets.....	\$ 47,534,459	\$ 46,353,252	\$ 45,822,689	\$ 45,559,159	\$ 44,188,974	\$ 42,788,461	\$ 44,110,580	\$ 42,038,002	\$ 43,602,463	\$ 46,240,734
Unrestricted.....	<u>18,241,146</u>	<u>18,385,626</u>	<u>18,388,810</u>	<u>18,186,228</u>	<u>15,331,376</u>	<u>15,734,929</u>	<u>6,164,961</u>	<u>7,323,154</u>	<u>5,742,840</u>	<u>2,811,762</u>
Total business-type activities net position.....	<u>\$ 65,775,605</u>	<u>\$ 64,738,878</u>	<u>\$ 64,211,499</u>	<u>\$ 63,745,387</u>	<u>\$ 59,520,350</u>	<u>\$ 58,523,390</u>	<u>\$ 50,275,541</u>	<u>\$ 49,361,156</u>	<u>\$ 49,345,303</u>	<u>\$ 49,052,496</u>
Primary government										
Net investment in capital assets.....	\$ 140,849,821	\$ 143,857,213	\$ 150,225,710	\$ 159,005,031	\$ 157,364,314	\$ 161,964,770	\$ 161,400,241	\$ 156,435,566	\$ 162,389,185	\$ 167,025,168
Restricted.....	3,976,293	6,194,838	9,250,406	10,224,044	10,051,326	8,492,277	8,921,380	9,181,609	10,983,413	11,300,312
Unrestricted.....	<u>(15,355,433)</u>	<u>(24,159,103)</u>	<u>(28,233,481)</u>	<u>(31,373,449)</u>	<u>(135,895,865)</u>	<u>(158,398,146)</u>	<u>(223,394,164)</u>	<u>(231,026,050)</u>	<u>(221,867,320)</u>	<u>(228,882,603)</u>
Total primary government net position.....	<u>\$ 129,470,681</u>	<u>\$ 125,892,948</u>	<u>\$ 131,242,635</u>	<u>\$ 137,855,626</u>	<u>\$ 31,519,775</u>	<u>\$ 12,058,901</u>	<u>\$ (53,072,543)</u>	<u>\$ (65,408,875)</u>	<u>\$ (48,494,722)</u>	<u>\$ (50,557,123)</u>
					(A)		(B)			

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

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

Changes in Net Position

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government.....	\$ 7,243,947	\$ 9,005,184	\$ 9,461,933	\$ 10,133,951	\$ 11,356,864	\$ 13,441,576	\$ 14,410,788	\$ 14,257,548	\$ 15,142,631	\$ 15,353,486
Public safety.....	21,289,440	20,862,977	21,202,823	21,795,686	25,090,468	28,947,658	29,471,772	31,300,955	30,810,933	30,274,085
Education.....	109,674,533	110,230,609	111,204,625	115,158,937	112,779,199	126,990,371	132,222,941	137,718,100	134,040,164	144,304,602
Public works.....	-	-	-	-	-	-	-	-	10,880,271	* 13,339,464
Public facilities.....	-	-	-	-	-	-	-	-	7,410,129	* 7,573,021
Municipal services.....	13,356,760	12,388,398	13,942,874	14,218,102	13,146,807	19,300,095	22,362,301	20,462,938	-	-
Community services.....	3,473,959	3,547,165	3,484,284	3,574,827	3,857,449	4,690,932	4,720,122	5,200,282	5,778,428	5,485,241
Library.....	3,981,093	3,308,590	3,270,652	3,388,768	3,948,793	4,704,562	4,662,189	4,629,860	4,392,675	4,396,524
Claims and judgments.....	-	-	-	-	-	-	-	-	13,500	-
COVID-19.....	-	-	-	-	-	-	-	-	-	406,209
Interest.....	1,733,882	1,813,401	2,180,097	2,102,376	2,675,387	2,239,673	2,044,006	1,893,346	2,540,131	2,660,557
Total government activities expenses.....	160,753,614	161,156,324	164,747,288	170,372,647	172,854,967	200,314,867	209,894,119	215,463,029	211,008,862	223,793,189
Business-type activities:										
Water.....	7,389,781	7,641,864	7,466,053	8,131,905	7,746,482	9,103,219	9,065,449	10,160,951	9,205,318	10,259,115
Sewer.....	4,919,891	4,614,480	4,599,787	4,221,701	4,538,357	4,531,114	4,533,507	5,010,158	4,583,488	4,626,081
Total business-type activities expenses.....	12,309,672	12,256,344	12,065,840	12,353,606	12,284,839	13,634,333	13,598,956	15,171,109	13,788,806	14,885,196
Total primary government expenses.....	\$ 173,063,286	\$ 173,412,668	\$ 176,813,128	\$ 182,726,253	\$ 185,139,806	\$ 213,949,200	\$ 223,493,075	\$ 230,634,138	\$ 224,797,668	\$ 238,678,385
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 3,649,023	\$ 4,179,923	\$ 5,376,825	\$ 4,879,683	\$ 5,855,804	\$ 6,359,841	\$ 6,528,322	\$ 6,515,366	\$ 6,412,569	\$ 5,799,890
Education charges for services.....	4,447,671	4,406,316	4,533,644	4,594,367	4,880,144	5,084,499	5,153,935	5,127,469	5,590,885	4,234,692
Other charges for services.....	2,980,246	3,263,775	3,017,848	3,197,405	3,152,353	3,233,071	3,401,970	4,121,952	4,276,929	3,629,582
Education operating grants and contributions.....	24,783,904	25,611,406	26,139,620	26,031,266	21,636,186	26,598,021	31,436,564	33,435,322	33,838,320	40,029,101
Other operating grants and contributions.....	1,759,998	1,607,599	1,191,156	1,438,710	1,648,198	1,357,650	1,866,468	2,160,016	1,711,092	2,639,112
COVID-19 operating grants and contributions.....	-	-	-	-	-	-	-	-	-	406,209
General government capital grant and contributions.....	259,600	-	-	-	-	-	-	-	-	-
Municipal services capital grant and contributions.....	1,378,068	-	1,553,595	1,774,179	977,093	1,626,204	3,016,120	1,452,390	342,764	1,487,737
Education capital grant and contributions.....	-	-	7,690,079	7,013,590	-	-	-	1,104,315	-	246,352
Other capital grant and contributions.....	-	2,310,588	458,700	1,984,863	712,064	227,501	37,233	33,144	30,231	415,296
Total government activities program revenues.....	39,258,510	41,379,607	49,961,467	50,914,063	38,861,842	44,486,787	51,440,612	53,949,974	52,202,790	58,887,971
Business-type activities:										
Water charges for services.....	7,539,658	6,974,207	7,244,362	7,405,049	7,723,468	8,248,851	8,614,491	9,242,742	8,706,157	9,617,768
Sewer charges for services.....	3,995,288	4,236,585	4,241,515	4,457,073	4,099,900	4,354,327	4,625,827	4,684,118	4,933,904	4,855,191
Other capital grant and contributions.....	41,759	-	42,339	-	20,000	-	-	247,000	-	-
Total business-type activities program revenues.....	11,576,705	11,210,792	11,528,216	11,862,122	11,843,368	12,603,178	13,240,318	14,173,860	13,640,061	14,472,959
Total primary government program revenues.....	\$ 50,835,215	\$ 52,590,399	\$ 61,489,683	\$ 62,776,185	\$ 50,705,210	\$ 57,089,965	\$ 64,680,930	\$ 68,123,834	\$ 65,842,851	\$ 73,360,930
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (121,495,104)	\$ (119,776,717)	\$ (114,785,821)	\$ (119,458,584)	\$ (133,993,125)	\$ (155,828,080)	\$ (158,453,507)	\$ (161,513,055)	\$ (158,806,072)	\$ (164,905,218)
Business-type activities.....	(732,967)	(1,045,552)	(537,624)	(491,484)	(441,471)	(1,031,155)	(358,638)	(997,249)	(148,745)	(412,237)
Total primary government net (expense)/program revenue.....	\$ (122,228,071)	\$ (120,822,269)	\$ (115,323,445)	\$ (119,950,068)	\$ (134,434,596)	\$ (156,859,235)	\$ (158,812,145)	\$ (162,510,304)	\$ (158,954,817)	\$ (165,317,455)

(continued)

Changes in Net Position

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes,										
net of tax refunds payable.....	\$ 103,594,344	\$ 107,658,022	\$ 110,652,457	\$ 116,416,632	\$ 120,794,299	\$ 126,409,719	\$ 133,419,328	\$ 138,291,617	\$ 144,265,717	\$ 150,700,501
Tax liens.....	352,839	231,426	420,138	127,902	761,023	33,265	331,830	324,654	678,899	369,683
Motor vehicle excise taxes.....	4,722,659	4,530,897	4,903,920	4,970,746	5,124,285	5,582,946	5,880,582	5,932,927	6,115,370	5,949,352
Hotel/motel tax.....	1,288,661	1,353,137	1,526,835	1,496,945	1,722,509	1,747,841	2,004,253	1,995,058	2,360,307	1,807,513
Meals tax.....	478,403	517,177	547,235	506,658	545,489	570,252	583,007	621,317	622,132	601,416
Penalties and interest on taxes.....	409,888	416,902	298,550	554,802	461,456	400,186	417,131	337,580	572,136	557,100
Grants and contributions not restricted to										
specific programs.....	2,070,906	2,005,649	2,099,507	2,193,507	2,229,911	2,286,196	2,365,532	2,034,338	2,099,148	2,126,802
Unrestricted investment income.....	315,873	273,240	74,364	164,538	230,715	264,490	232,297	553,617	1,348,115	1,467,663
Miscellaneous.....	217,576	249,261	139,881	105,957	71,919	69,271	49,925	-	-	-
Extraordinary Items:										
Gas disaster settlement funds.....	-	-	-	-	-	-	-	-	19,381,109	41,478
Gas disaster expenses.....	-	-	-	-	-	-	-	-	(1,706,855)	(485,884)
Total governmental activities.....	<u>113,451,149</u>	<u>117,235,711</u>	<u>120,662,887</u>	<u>126,537,687</u>	<u>131,941,606</u>	<u>137,364,166</u>	<u>145,283,885</u>	<u>150,091,108</u>	<u>175,736,078</u>	<u>163,135,624</u>
Business-type activities:										
Unrestricted investment income.....	<u>9,521</u>	<u>8,825</u>	<u>10,245</u>	<u>25,372</u>	<u>31,733</u>	<u>34,195</u>	<u>48,981</u>	<u>82,864</u>	<u>132,892</u>	<u>119,430</u>
Total primary government general revenues and other										
changes in net position.....	<u>\$ 113,460,670</u>	<u>\$ 117,244,536</u>	<u>\$ 120,673,132</u>	<u>\$ 126,563,059</u>	<u>\$ 131,973,339</u>	<u>\$ 137,398,361</u>	<u>\$ 145,332,866</u>	<u>\$ 150,173,972</u>	<u>\$ 175,868,970</u>	<u>\$ 163,255,054</u>
Changes in Net Position										
Governmental activities.....	\$ (8,043,955)	\$ (2,541,006)	\$ 5,877,066	\$ 7,079,103	\$ (2,051,519)	\$ (18,463,914)	\$ (13,169,622)	\$ (11,421,947)	\$ 16,930,006	\$ (1,769,594)
Business-type activities.....	<u>(723,446)</u>	<u>(1,036,727)</u>	<u>(527,379)</u>	<u>(466,112)</u>	<u>(409,738)</u>	<u>(996,960)</u>	<u>(309,657)</u>	<u>(914,385)</u>	<u>(15,853)</u>	<u>(292,807)</u>
Total primary government changes in net position.....	<u>\$ (8,767,401)</u>	<u>\$ (3,577,733)</u>	<u>\$ 5,349,687</u>	<u>\$ 6,612,991</u>	<u>\$ (2,461,257)</u>	<u>\$ (19,460,874)</u>	<u>\$ (13,479,279)</u>	<u>\$ (12,336,332)</u>	<u>\$ 16,914,153</u>	<u>\$ (2,062,401)</u>

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

(concluded)

Fund Balances, Governmental Funds

Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Restricted.....	\$ -	\$ -	\$ 1,092,228	\$ 978,024	\$ 877,138	\$ 782,526	\$ 693,100	\$ 608,191	\$ 529,791	453,580
Committed.....	13,999	13,999	100,734	2,354,757	5,132,811	2,166,450	2,020,002	1,934,625	1,250,674	1,189,420
Assigned.....	817,053	2,197,122	1,181,371	1,049,914	1,176,478	1,470,172	1,361,449	1,340,429	1,194,620	1,490,233
Unassigned.....	<u>8,106,788</u>	<u>10,772,493</u>	<u>12,715,770</u>	<u>14,603,525</u>	<u>12,835,260</u>	<u>12,952,202</u>	<u>17,826,724</u>	<u>17,887,242</u>	<u>18,495,850</u>	<u>22,723,426</u>
Total general fund.....	<u>\$ 8,937,840</u>	<u>\$ 12,983,614</u>	<u>\$ 15,090,103</u>	<u>\$ 18,986,220</u>	<u>\$ 20,021,687</u>	<u>\$ 17,371,350</u>	<u>\$ 21,901,275</u>	<u>\$ 21,770,487</u>	<u>\$ 21,470,935</u>	<u>\$ 25,856,659</u>
All Other Governmental Funds										
Nonspendable.....	\$ 1,259,811	\$ 1,274,750	\$ 1,278,486	\$ 1,261,738	\$ 1,268,347	\$ 1,280,783	\$ 1,286,034	\$ 1,315,354	\$ 1,293,426	\$ 1,266,307
Restricted.....	8,296,921	13,319,927	19,275,015	22,692,841	18,046,721	20,068,946	16,376,243	22,607,870	43,363,411	39,717,942
Unassigned.....	<u>-</u>	<u>(2,174,741)</u>	<u>-</u>	<u>-</u>	<u>(114,313)</u>	<u>-</u>	<u>-</u>	<u>(266,464)</u>	<u>-</u>	<u>(690,948)</u>
Total all other governmental funds.....	<u>\$ 9,556,732</u>	<u>\$ 12,419,936</u>	<u>\$ 20,553,501</u>	<u>\$ 23,954,579</u>	<u>\$ 19,200,755</u>	<u>\$ 21,349,729</u>	<u>\$ 17,662,277</u>	<u>\$ 23,656,760</u>	<u>\$ 44,656,837</u>	<u>\$ 40,293,301</u>

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 103,357,190	\$ 107,820,244	\$ 110,384,336	\$ 116,681,066	\$ 121,034,570	\$ 126,180,460	\$ 133,498,869	\$ 138,082,006	\$ 144,045,522	\$ 150,883,719
Motor vehicle and other excise taxes.....	5,877,675	5,824,833	4,745,068	5,082,290	5,165,789	5,700,798	5,861,936	5,836,628	6,176,998	5,962,010
Intergovernmental.....	30,178,437	33,649,963	36,439,032	37,628,417	30,126,642	32,495,810	37,605,820	38,349,896	40,531,158	45,762,558
Intergovernmental - COVIE-19 Relief.....	-	-	-	-	-	-	-	-	-	406,209
Departmental and other.....	13,073,732	14,524,170	16,343,246	18,403,347	18,312,668	18,377,257	19,100,583	19,278,630	20,512,027	18,289,466
Interest income.....	350,374	306,101	52,399	202,101	211,262	254,575	199,876	532,246	1,291,584	1,394,549
Total Revenue.....	152,837,408	162,125,311	167,964,081	177,997,221	174,850,931	183,008,900	196,267,084	202,079,406	212,557,289	222,698,511
Expenditures:										
General government.....	4,926,017	6,564,652	7,103,931	7,323,954	7,344,861	7,914,464	8,563,816	8,906,509	8,782,567	9,345,043
Public safety.....	15,740,379	15,373,742	15,961,083	16,120,879	17,467,921	17,420,495	17,320,298	19,043,736	19,107,218	18,785,567
Education.....	72,239,103	71,201,775	75,342,685	78,345,911	80,699,104	83,170,976	87,289,023	90,118,954	92,626,935	95,272,476
Public works.....	-	-	-	-	-	-	-	-	9,867,616	* 10,311,374
Public facilities.....	-	-	-	-	-	-	-	-	3,379,317	* 3,191,994
Municipal services.....	10,885,100	11,227,120	11,005,407	10,986,859	13,161,484	11,071,883	13,768,109	13,503,004	-	* -
Community services.....	2,767,944	2,874,439	2,972,973	2,893,483	3,042,960	3,400,352	3,296,991	3,701,839	4,071,541	4,005,957
Library.....	2,656,682	2,547,398	2,532,582	2,558,449	2,626,027	2,864,208	2,705,611	2,786,809	2,810,728	2,752,755
COVID-19.....	-	-	-	-	-	-	-	-	-	406,209
Pension benefits.....	15,928,980	17,217,084	18,298,372	18,696,325	14,130,520	20,014,421	24,870,902	26,656,120	27,887,605	33,863,458
Property and liability insurance.....	734,996	827,013	717,613	777,873	775,186	733,618	1,184,199	884,567	1,370,444	1,064,473
Employee benefits.....	14,834,385	14,808,947	13,908,127	15,274,878	17,370,998	17,420,680	19,024,326	20,357,485	21,873,978	22,642,514
Claims and judgments.....	-	-	-	-	-	-	-	-	13,500	-
State and county charges.....	2,860,658	2,433,163	2,468,820	2,817,601	756,777	649,170	598,992	680,010	831,295	769,672
Capital outlay.....	7,213,849	7,729,883	22,004,956	32,305,218	15,698,468	10,784,487	9,513,804	20,182,677	14,392,709	12,803,744
Debt service:										
Principal.....	5,865,696	6,194,000	5,813,900	6,744,500	7,753,500	8,096,050	7,097,104	6,637,898	6,901,604	7,014,124
Interest.....	1,642,841	1,847,422	1,871,364	2,296,280	2,999,136	2,895,359	2,529,536	2,361,998	2,969,794	3,373,838
Total Expenditures.....	158,296,630	160,846,638	180,001,813	197,142,210	183,826,942	186,436,163	197,762,711	215,821,606	216,886,851	225,603,198
Excess of revenues over (under) expenditures.....	(5,459,222)	1,278,673	(12,037,732)	(19,144,989)	(8,976,011)	(3,427,263)	(1,495,627)	(13,742,200)	(4,329,562)	(2,904,687)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	6,750,000	5,366,000	20,555,000	24,242,000	4,990,000	2,925,900	2,123,300	18,743,100	6,585,000	4,873,000
Issuance of refunding bonds.....	-	4,564,700	3,423,300	-	-	-	-	-	-	-
Premium from issuance of bonds.....	-	239,602	1,657,247	2,200,184	267,654	-	214,800	430,123	770,833	347,824
Premium from issuance of refunding bonds.....	-	446,698	599,483	-	-	-	-	-	-	-
Capital lease financing.....	-	-	-	-	-	-	-	432,672	-	-
Payments to refunded bond escrow agent.....	-	(4,986,695)	(3,957,244)	-	-	-	-	-	-	-
Transfers in.....	1,983,683	1,602,664	3,360,800	4,858,735	4,335,344	10,187,387	6,593,061	6,331,529	9,247,389	6,087,738
Transfers out.....	(1,983,683)	(1,602,664)	(3,360,800)	(4,858,735)	(4,335,344)	(10,187,387)	(6,593,061)	(6,331,529)	(9,247,389)	(6,087,738)
Total other financing sources (uses).....	6,750,000	5,630,305	22,277,786	26,442,184	5,257,654	2,925,900	2,338,100	19,605,895	7,355,833	5,220,824
Extraordinary Items:										
Gas disaster settlement funds.....	-	-	-	-	-	-	-	-	19,381,109	41,478
Gas disaster expenses.....	-	-	-	-	-	-	-	-	(1,706,855)	(2,335,427)
	-	-	-	-	-	-	-	-	17,674,254	(2,293,949)
Net change in fund balance.....	\$ 1,290,778	\$ 6,908,978	\$ 10,240,054	\$ 7,297,195	\$ (3,718,357)	\$ (501,363)	\$ 842,473	\$ 5,863,695	\$ 20,700,525	\$ 22,188
Debt service as a percentage of noncapital expenditures..	4.99%	5.34%	4.89%	5.49%	6.36%	6.19%	5.05%	4.54%	4.82%	4.87%

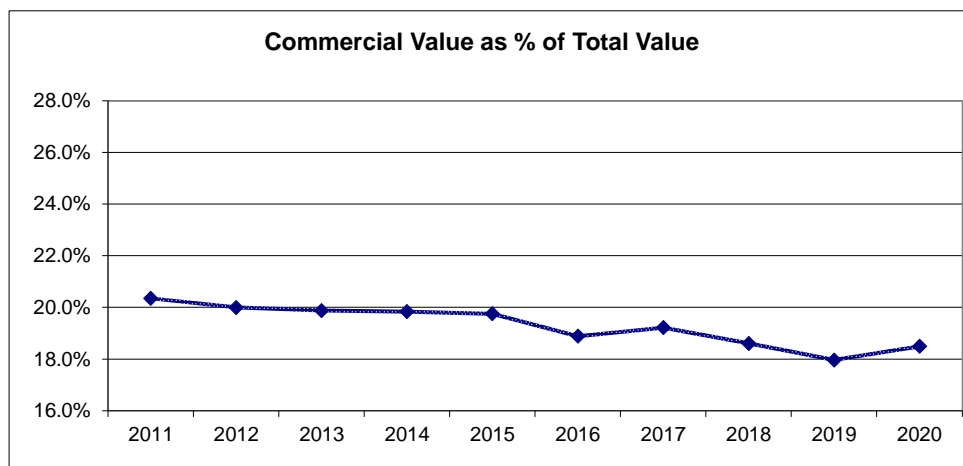
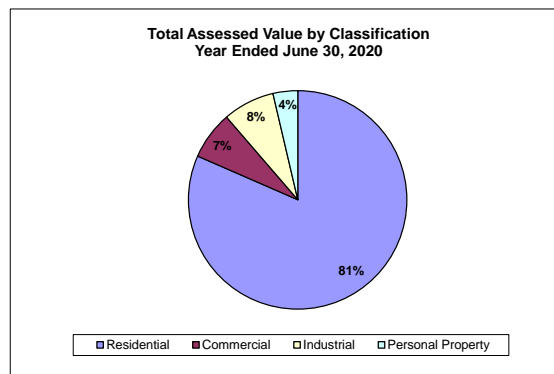
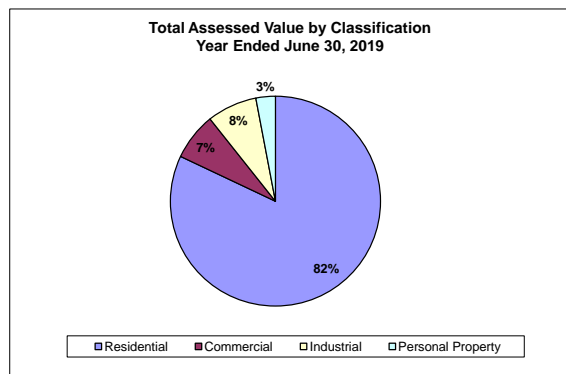
Notes:

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

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								Total Town Value
	Residential/ Open Space Value	Residential/ Open Space Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	
2011	\$ 5,269,717,961	\$ 14.12	\$ 552,946,894	\$ 592,561,900	\$ 201,324,807	\$ 1,346,833,601	\$ 22.46	\$ 15.82	\$ 6,616,551,562
2012 (1)	\$ 5,438,632,321	\$ 14.15	\$ 547,695,778	\$ 578,692,200	\$ 233,484,947	\$ 1,359,872,925	\$ 23.54	\$ 16.03	\$ 6,798,505,246
2013	\$ 5,450,304,845	\$ 14.51	\$ 544,010,554	\$ 574,064,300	\$ 234,340,227	\$ 1,352,415,081	\$ 24.26	\$ 16.45	\$ 6,802,719,926
2014	\$ 5,483,302,185	\$ 15.18	\$ 541,616,314	\$ 578,490,500	\$ 237,117,137	\$ 1,357,223,951	\$ 25.25	\$ 17.18	\$ 6,840,526,136
2015 (1)	\$ 5,801,226,330	\$ 14.97	\$ 580,548,306	\$ 601,623,300	\$ 246,548,798	\$ 1,428,720,404	\$ 24.77	\$ 16.91	\$ 7,229,946,734
2016	\$ 6,117,465,085	\$ 14.82	\$ 573,623,228	\$ 603,476,100	\$ 247,911,769	\$ 1,425,011,097	\$ 25.99	\$ 16.93	\$ 7,542,476,182
2017	\$ 6,191,555,580	\$ 15.18	\$ 577,433,480	\$ 601,695,200	\$ 294,625,929	\$ 1,473,754,609	\$ 26.46	\$ 17.35	\$ 7,665,310,189
2018	\$ 6,347,884,255	\$ 15.64	\$ 588,216,151	\$ 608,062,200	\$ 255,067,239	\$ 1,451,345,590	\$ 27.61	\$ 17.87	\$ 7,799,229,845
2019	\$ 6,825,956,695	\$ 15.27	\$ 605,393,222	\$ 639,205,100	\$ 250,782,409	\$ 1,495,380,731	\$ 27.51	\$ 17.47	\$ 8,321,337,426
2020 (1)	\$ 7,175,327,051	\$ 15.01	\$ 629,857,515	\$ 674,985,400	\$ 318,839,379	\$ 1,623,682,294	\$ 27.14	\$ 17.25	\$ 8,799,009,345



(1) Revaluation year.

Source: Assessor's Department, Town of Andover

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers
Current Year and Nine Years Ago

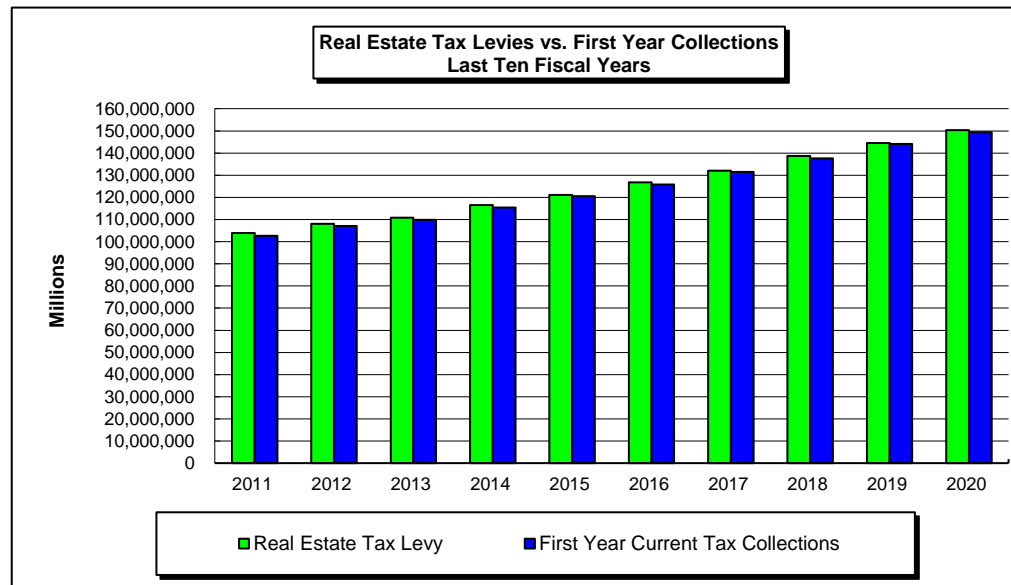
Name	Property Type	2020			2011		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Genetics Institute, Inc (Pfizer)	Industrial	\$ 90,710,500	1	1.03%	\$ 79,845,400	1	1.21%
Columbia Gas of Massachusetts	Personal Property	\$ 86,386,940	2	0.98%	\$ -	-	-
Raytheon Company	Industrial/Residential	\$ 77,744,850	3	0.88%	\$ 61,299,850	4	0.93%
Whetstone	Commercial/Industrial	\$ 75,193,800	4	0.85%	\$ -	-	-
New Brickstone Office LLC	Office	\$ 66,276,000	5	0.75%	\$ -	-	-
Atlantic-Minuteman Realty, LLC	Research & Development	\$ 55,582,400	6	0.63%	\$ -	-	-
Hewlett Packard Enterprise Co.	Industrial/Residential	\$ 49,542,470	7	0.56%	\$ -	-	-
Mass Electric Co	Industrial/Utility	\$ 44,487,710	8	0.51%	\$ -	-	-
Schneider Electric Buildings LLC	Research & Development	\$ 38,602,300	9	0.44%	\$ -	-	-
Eisai Research Institute	Commercial/Industrial	\$ 36,797,940	10	0.42%	\$ 73,148,030	2	1.11%
Transwestern Brickstone Square LLC (Andover Mills)	Commercial/Industrial	\$ -	-	-	\$ 73,062,530	3	1.10%
Phillips Corporation	Industrial	\$ -	-	-	\$ 50,648,500	5	0.77%
RREEF America REIT III Corp ZI	Commercial/Industrial	\$ -	-	-	\$ 47,015,300	6	0.71%
Verizon New England	Commercial/Utility	\$ -	-	-	\$ 44,862,900	7	0.68%
CA Investment Trust	Residential/Commercial	\$ -	-	-	\$ 43,531,160	8	0.66%
One Hundred Minuteman LLC	Industrial	\$ -	-	-	\$ 39,907,600	9	0.60%
Proctor & Gamble	Industrial	\$ -	-	-	\$ 36,761,300	10	0.56%
Totals		\$621,324,910		7.06%	\$550,082,570		8.31%

Source: Official Statement for Sale of Bonds

Property Tax Levies and Collections

Last Ten Years

Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2011		\$ 104,658,300	\$ 772,521	\$ 103,885,779	\$ 102,625,682	98.79%	\$ 991,239	\$ 103,616,921	99.74%
2012	(1)	\$ 108,874,156	\$ 857,191	\$ 108,016,965	\$ 107,067,732	99.12%	\$ 922,944	\$ 107,990,676	99.98%
2013		\$ 111,893,513	\$ 985,564	\$ 110,907,949	\$ 109,842,289	99.04%	\$ 911,349	\$ 110,753,638	99.86%
2014		\$ 117,506,432	\$ 981,734	\$ 116,524,698	\$ 115,439,167	99.07%	\$ 886,892	\$ 116,326,059	99.83%
2015	(1)	\$ 122,233,763	\$ 1,159,706	\$ 121,074,057	\$ 120,524,220	99.55%	\$ 481,603	\$ 121,005,823	99.94%
2016		\$ 127,696,871	\$ 871,083	\$ 126,825,788	\$ 125,835,396	99.22%	\$ 990,392	\$ 126,825,788	100.00%
2017		\$ 132,983,361	\$ 907,823	\$ 132,075,538	\$ 131,568,459	99.62%	\$ 465,443	\$ 132,033,902	99.97%
2018		\$ 139,352,561	\$ 591,466	\$ 138,761,095	\$ 137,603,164	99.17%	\$ 864,146	\$ 138,467,310	99.79%
2019		\$ 145,370,283	\$ 830,408	\$ 144,539,875	\$ 143,650,782	99.38%	\$ 509,725	\$ 144,160,507	99.74%
2020	(1)	\$ 151,611,876	\$ 1,269,196	\$ 150,342,680	\$ 149,459,025	99.41%	\$ -	\$ 149,459,025	99.41%



(1) Revaluation year.

(2) Includes tax liens.

Source: Assessor's Department, Town of Andover

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Levy Limit.....	\$ 104,729,225	\$ 109,075,475	\$ 112,609,324	\$ 117,859,068	\$ 124,235,546	\$ 129,300,643	\$ 134,306,796	\$ 140,458,434	\$ 146,503,846	\$ 154,314,610
Previous Levy.....	98,313,488	101,868,863	106,128,017	110,260,239	114,580,485	119,797,141	124,996,152	130,709,371	136,417,582	142,600,950
Legal Increase.....	2,457,837	2,546,722	2,653,200	2,756,506	2,864,512	2,994,929	3,124,904	3,267,734	3,410,440	3,565,024
New Growth.....	1,097,538	1,712,432	1,479,022	1,563,740	2,352,143	2,204,083	2,588,316	2,440,476	2,772,929	4,365,647
Debt Exclusion.....	2,860,362	2,947,458	2,349,085	3,278,583	4,438,406	4,304,490	3,597,424	4,040,852	3,902,896	3,782,989
Maximum Taxing Capacity...	<u>\$ 104,729,225</u>	<u>\$ 109,075,475</u>	<u>\$ 112,609,324</u>	<u>\$ 117,859,068</u>	<u>\$ 124,235,546</u>	<u>\$ 129,300,643</u>	<u>\$ 134,306,796</u>	<u>\$ 140,458,433</u>	<u>\$ 146,503,847</u>	<u>\$ 154,314,610</u>
Actual Levy.....	\$ 104,658,300	\$ 108,874,156	\$ 111,893,513	\$ 117,506,432	\$ 122,233,763	\$ 127,696,873	\$ 132,983,359	\$ 139,352,559	\$ 145,370,281	\$ 151,611,876
Unused Levy Capacity.....	\$ 70,925	\$ 201,319	\$ 715,811	\$ 352,636	\$ 2,001,783	\$ 1,603,770	\$ 1,323,437	\$ 1,105,875	\$ 1,133,565	\$ 2,702,734

Source: Assessor's Department, Town of Andover

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2011	33,201	\$ 2,212,946,253	\$ 6,616,551,562	\$ 51,225,999	\$ -	\$ 1,543	2.31%	0.77%
2012	33,201	\$ 1,731,982,946	\$ 6,798,505,246	\$ 50,237,699	\$ -	\$ 1,513	2.90%	0.74%
2013	31,656	\$ 1,684,413,276	\$ 6,802,719,926	\$ 67,125,020	\$ -	\$ 2,120	3.99%	0.99%
2014	31,939	\$ 2,259,131,604	\$ 6,840,526,136	\$ 87,324,906	\$ -	\$ 2,734	3.87%	1.28%
2015	31,617	\$ 2,281,103,316	\$ 7,229,946,734	\$ 84,243,576	\$ -	\$ 2,665	3.69%	1.17%
2016	35,299	\$ 2,597,688,709	\$ 7,542,476,182	\$ 78,346,580	\$ -	\$ 2,220	3.02%	1.04%
2017	35,490	\$ 2,663,985,870	\$ 7,665,310,189	\$ 72,997,287	\$ -	\$ 2,057	2.74%	0.95%
2018	32,323	\$ 2,474,778,172	\$ 7,799,229,845	\$ 84,960,292	\$ 222,815	\$ 2,635	3.44%	1.09%
2019	32,336	\$ 2,525,288,974	\$ 8,321,337,426	\$ 84,889,229	\$ 136,014	\$ 2,629	3.37%	1.02%
2020	32,498	\$ 2,588,699,218	\$ 8,799,009,345	\$ 82,415,085	\$ 46,131	\$ 2,537	3.19%	0.94%

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
2011	\$ 35,602,018	\$ -	\$ 86,828,017	\$ 2,615	3.92%	1.31%
2012	\$ 33,731,282	\$ -	\$ 83,968,981	\$ 2,529	4.85%	1.24%
2013	\$ 33,435,605	\$ -	\$ 100,560,625	\$ 3,177	5.97%	1.48%
2014	\$ 35,054,316	\$ -	\$ 122,379,222	\$ 3,832	5.42%	1.79%
2015	\$ 34,525,548	\$ -	\$ 118,769,124	\$ 3,756	5.21%	1.64%
2016	\$ 31,193,805	\$ -	\$ 109,540,385	\$ 3,103	4.22%	1.45%
2017	\$ 29,366,241	\$ -	\$ 102,363,528	\$ 2,884	3.84%	1.34%
2018	\$ 30,476,994	\$ -	\$ 115,660,101	\$ 3,578	4.67%	1.48%
2019	\$ 27,899,916	\$ -	\$ 112,925,159	\$ 3,492	4.47%	1.36%
2020	\$ 30,773,541	\$ -	\$ 113,234,757	\$ 3,484	4.37%	1.29%

(1) Water and Sewer Funds

Source: Audited Financial Statements, U. S. Census, Division of Local Services

Direct and Overlapping Governmental Activities Debt

As of June 30, 2020

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Town of Andover, Massachusetts</u>			
Debt repaid with property taxes:			
Greater Lawrence Regional Vocational Technical School District.....	\$ 10,540,000	1.8%	\$ 548,601
Merrimack Valley Transit Authority.....	-	N/A	<u>231,124</u>
Subtotal, overlapping debt.....			<u>779,725</u>
Town direct debt.....			<u>82,415,085</u>
Total direct and overlapping debt.....			<u>\$ 83,194,810</u>

Methodologies used to calculate overlapping debt:

Greater Lawrence Regional Vocational Technical School District:

 The Town's overlap is based on pupil enrollment.

Merrimack Valley Transit Authority:

 The Town's overlap is based on the proportion of the net cost incurred on routes within each member community.

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Equalized Valuation.....	\$ 7,405,664,700	\$ 7,292,906,600	\$ 7,292,906,600	\$ 7,120,772,800	\$ 7,120,772,800	\$ 7,120,772,800	\$ 7,972,993,500	\$ 7,972,993,500	\$ 8,453,211,200	\$ 8,453,211,200
Debt Limit -5% of Equalized Valuation.....	\$ 370,283,235	\$ 364,645,330	\$ 364,645,330	\$ 356,038,640	\$ 356,038,640	\$ 356,038,640	\$ 398,649,675	\$ 398,649,675	\$ 422,660,560	\$ 422,660,560
Less:										
Outstanding debt applicable to limit.....	67,504,073	65,805,248	67,161,942	68,448,149	64,939,228	58,166,832	55,577,799	62,265,500	68,407,800	66,000,800
Authorized and unissued debt.....	66,704,000	71,307,000	61,724,000	22,637,678	34,648,553	25,480,303	44,285,856	55,550,553	42,484,000	30,665,000
Legal debt margin.....	\$ 236,075,162	\$ 227,533,082	\$ 235,759,388	\$ 264,952,813	\$ 256,450,859	\$ 272,391,505	\$ 298,786,020	\$ 280,833,622	\$ 311,768,760	\$ 325,994,760
Total debt applicable to the limit as a percentage of debt limit.....	36.24%	37.60%	35.35%	25.58%	27.97%	23.49%	25.05%	29.55%	26.24%	22.87%

Source: Official Statement for Sale of Bonds

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2011	33,201	\$ 2,212,946,253	\$ 66,653	39.5	6.2%
2012	33,201	\$ 2,257,205,178	\$ 67,986	39.5	4.9%
2013	31,656	\$ 2,195,210,050	\$ 69,346	39.5	4.9%
2014	31,939	\$ 2,259,131,604	\$ 70,733	39.5	4.9%
2015	31,617	\$ 2,281,071,699	\$ 72,147	39.5	4.0%
2016	35,299	\$ 2,597,688,709	\$ 73,591	39.5	3.6%
2017	35,490	\$ 2,663,985,870	\$ 75,063	39.5	3.7%
2018	32,323	\$ 2,474,778,172	\$ 76,564	39.5	2.8%
2019	32,336	\$ 2,525,279,920	\$ 78,095	42.3	2.7%
2020	32,498	\$ 2,588,689,936	\$ 79,657	42.0	10.8%

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

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2020			2011		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	4,500	1	13%	4,750	1	15%
Internal Revenue Services	Regional Service Center	1,700	2	5%	3,500	2	11%
Pfizer	Biotechnology Research & Manufacturing	1,325	3	4%	1,200	4	4%
Putnam Investments	Mutual Funds	900	4	3%	900	6	3%
Vicor	Computer Equipment	850	5	2%	850	7	3%
Schneider Electric Software	Energy Management	735	6	2%	-	-	-
Verizon	Communications	600	7	2%	600	8	2%
Philips Academy	Private School	555	8	2%	555	5	2%
Smith & Nephew	Medical Equipment	500	9	1%	500	10	2%
Hewlett Packard (Compaq)	Computer Equipment	500	10	1%	500	9	2%
Phillips Electr No Amer Corp. (Agilent)	Medical Electronics	-		-	2,300	3	7%

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent Town Employees

Last Ten Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Full-Time Equivalents</u>										
Town.....	344	344	350	351	356	356	358	359	359	363
School.....	<u>772</u>	<u>762</u>	<u>799</u>	<u>867</u>	<u>862</u>	<u>874</u>	<u>884</u>	<u>900</u>	<u>906</u>	<u>922</u>
Total	<u>1,116</u>	<u>1,106</u>	<u>1,149</u>	<u>1,218</u>	<u>1,218</u>	<u>1,230</u>	<u>1,242</u>	<u>1,259</u>	<u>1,265</u>	<u>1,285</u>

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Calendar Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Population.....	33,201	33,201	31,656	31,942	31,617	32,101	32,677	32,323	32,336	32,498
Registered Voters, Annual Town Election.....	20,705	20,705	22,828	22,944	22,442	23,302	24,326	23,855	23,952	24,990
Town Clerk										
Births.....	220	220	206	239	186	243	245	241	265	259
Marriages.....	122	122	133	134	90	137	123	136	126	132
Deaths.....	233	233	229	255	226	293	280	263	258	253
Dogs licensed.....	2,469	2,469	2,527	2,468	2,370	2,338	2,365	2,222	2,196	2,152
Fishing & Hunting Licenses	244	244	-	-	-	-	-	-	-	-
Business Certificates.....	70	70	78	168	95	111	112	158	163	175
New Voter Registrations.....	1,296	1,296	2,433	960	1,322	2,319	2,520	1,598	2,095	2,038
Passport Applications.....	531	531	-	-	-	-	-	-	-	-
Public Safety										
Police										
Documented calls for police services.....	34,495	34,495	33,863	35,514	28,179	28,017	29,964	31,430	28,415	21,438
Arrests.....	496	496	412	420	398	406	348	390	282	183
Domestic Abuse.....	45	45	53	52	43	48	62	65	47	43
Vandalism.....	130	130	131	108	108	123	96	124	70	138
Larceny.....	257	257	313	329	267	283	285	276	262	259
Assaults.....	40	40	49	42	38	30	83	42	30	34
Breaking & Entering.....	73	73	50	50	35	51	24	31	33	28
Motor Vehicle accidents.....	924	924	847	850	887	835	906	973	985	729
Parking tickets issued.....	5,187	5,187	5,072	5,389	4,200	3,825	3,424	3,799	2,995	2,059
Total number of animal complaints.....	713	713	693	578	688	806	829	731	655	752
Fire										
Incidents										
Fires.....	923	923	766	690	653	738	812	857	952	828
EMS Calls.....	2,696	2,696	2,746	2,740	3,160	3,131	3,214	3,522	3,526	3,598
Motor Vehicle Accidents.....	255	255	288	308	330	338	285	571	549	497
Hazardous Conditions.....	280	280	312	276	295	249	243	318	785	703
False Alarms & False Calls.....	752	752	748	685	728	740	796	913	1,084	949
Good Intent Calls.....	126	126	129	93	87	104	80	123	215	173
Mutual Aid (Fire Calls).....	29	29	34	32	37	49	54	39	39	61
Ambulance Mutual Aid Calls.....	51	51	116	102	142	112	124	119	105	137

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fire Prevention Activities.....	939	939	945	1,754	1,008	916	914	1,982	2,105	2,410
Service Calls.....	408	408	499	425	619	619	651	599	596	667
Training.....	137	137	302	215	202	181	229	177	190	148
Co-Activation.....	141	141	130	146	155	119	124	149	184	144
Permits/certificates issued										
Smoke Detectors.....	450	450	574	575	600	651	897	744	664	704
Report Copies.....	60	60	48	58	74	64	82	89	109	102
Blasting Permits.....	2	2	-	2	2	3	3	2	3	-
Cutting/Welding Permits.....	31	31	31	34	48	41	44	56	84	91
Dumpster Permits.....	180	180	188	257	317	362	330	218	180	160
Fireworks Display Permits.....	1	1	2	3	4	4	4	6	6	1
Gunpowder Storage Permits.....	-	-	-	-	1	-	1	2	1	1
Liquid Gas Storage Permits.....	76	76	106	69	73	90	79	77	205	87
Flammable Liquid Storage Permits.....	47	47	47	46	61	55	67	72	54	28
Miscellaneous Permits.....	-	-	-	6	73	3	5	7	2	19
Open Air Burning Permits.....	519	519	365	255	222	267	246	364	240	249
Oil Burner Install Permits.....	147	147	100	113	98	110	79	92	116	109
Commercial Fire Alarm Systems.....	68	68	58	124	27	40	42	8	4	44
Special Suppression System Permits.....	2	2	6	13	2	6	5	3	11	9
Sprinkler Install Permits.....	72	72	90	64	41	64	55	26	19	47
Underground Tank Re-certification.....	18	18	14	19	6	N/A	N/A	N/A	N/A	N/A
Underground Tank Removals.....	58	58	91	67	68	82	4	3	5	63
Building Department										
Permits issued.....	1,345	1,345	1,252	1,652	1,771	1,994	1,940	2,020	2,175	2,228
Education										
Public school enrollment.....	6,121	6,121	6,262	6,110	6,076	6,075	5,991	5,924	5,957	5,817
Public Works										
Cemetery										
Lots sold.....	33	33	70	40	55	74	48	34	29	28
Interments/cremations.....	75	75	84	64	70	80	71	81	69	57

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Human Services										
Board of Health										
Plan reviews.....	269	269	282	505	262	207	251	210	148	168
Inspections										
Restaurant	278	278	385	353	327	288	391	469	616	404
Environmental/Sanitary Code.....	322	322	418	403	448	311	532	622	512	558
Complaints investigated.....	138	138	101	98	99	108	133	127	148	107
Administrative Hearings.....	4	4	2	5	7	6	4	4	1	0
Council on Aging										
Home delivered meals served.....	25,589	25,589	21,012	22,764	22,992	23,108	23,044	26,194	23,810	26,100
Medical-van trips.....	1,399	1,399	1,502	1,352	1,366	1,865	1,461	1,295	1,159	1,014
Libraries										
Program attendance.....	16,664	16,664	17,016	22,570	25,473	32,214	33,483	33,593	34,930	15,228
Books & Periodicals.....	364,795	364,795	394,506	386,137	372,179	363,419	345,054	330,907	311,392	227,132
PC & Internet Use.....	76,124	76,124	65,780	53,965	49,220	47,060	50,054	62,400	47,320	37,740
Reference Questions.....	67,195	67,195	72,163	68,835	73,749	65,338	69,381	69,237	69,111	45,060
Non-Print Circulation.....	144,489	144,489	197,921	196,615	179,372	164,300	152,232	141,127	141,439	117,684
Sewer										
Service connections.....	6,200	6,200	6,200	6,200	5,900	6,534	6,518	6,559	6,565	6,603
Water										
Daily consumption (in million gallons).....	6.900	6.900	6.900	7.200	7.100	7.424	6.993	6.995	7.080	7.419
Source: Various Town Departments									(concluded)	

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Number of Buildings.....	16	16	16	16	20	20	19	19	20	20
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	3	3	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	235	235	235	235	222	223	258	258	258	259
Fire hydrants.....	2,300	2,300	2,300	2,300	2,369	2,374	2,382	2,382	2,382	2,401
Sanitary sewers (miles).....	146	146	146	146	137	137	137	150	137	137
Storm sewers (miles).....	80	80	80	80	120	120	120	120	120	121
Culture and Recreation										
Playgrounds.....	14	14	14	14	20	20	20	21	21	21
Parks.....	4	4	4	4	6	6	9	9	9	9
Playgrounds - Acreage.....	4.0	4.0	4.0	4.0	4.0	4.0	4.1	4.4	4.4	4.4
Parks - Acreage.....	30	30	30	30	30	30	41	41	41	41
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	31	31	31	31	39	40	40	40	40	40
Tennis courts.....	10	10	10	10	11	11	11	11	11	11

Source: Various Town Departments



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www.lockelord.com

(Date of Delivery)

Michael Morse, Treasurer/Collector
Town of Andover
Andover, Massachusetts

\$165,000,000*
Town of Andover, Massachusetts
General Obligation Pension Bonds
(Subject to Federal and Massachusetts Income Taxation)
Dated December 16, 2021

We have acted as bond counsel to the Town of Andover, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.
2. Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

* Preliminary, subject to change.

3. Interest on the Bonds and any profit on the sale of the Bonds are included in Massachusetts personal income taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

100719348v.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Andover, Massachusetts (the “Issuer”) in connection with the issuance of its \$165,000,000* General Obligation Pension Bonds (Subject to Federal and Massachusetts Income Taxation), dated December 16, 2021 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual

* Preliminary, subject to change.

Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated December __, 2021 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, including assessed valuation and property tax levy history, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.

8. Bond calls, if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: December 16, 2021

TOWN OF ANDOVER,
MASSACHUSETTS

By: _____
Treasurer

Select Board

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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