TOWN OF ANDOVER, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Memorial Auditorium

For the Fiscal Year Ended June 30, 2007

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Prepared by:

Rodney Smith, Town Accountant

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Memorial Hall Library

Introductory Section

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Town of Andover

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Letter of Transmittal

October 5, 2007

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

At the close of each fiscal year, state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Andover, Massachusetts, for the fiscal year ending June 30, 2007 for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The Town of Andover's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Andover's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Town

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

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

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

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

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

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

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

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

Factors Affecting Economic Condition

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

Local economy. Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail-line, and proximity to international airports in Boston and Manchester, Andover is a true business “cross roads.” The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed use commercial areas. Andover is a highly sought after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, biotech, and medical products. Andover’s ten largest commercial/industrial employers are Raytheon, Philips Electronics, Wyeth BioPharma, Putnam Investments, Vicor, Verizon, Compaq, Gillette, Smith-Nephew Endoscopy, and Comverse Network Systems. There are approximately 259 acres of developable commercial and industrial land remaining in Town, as well as significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable $6.4 billion tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates, averaging 9.7% annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

The Town is currently working with the neighboring towns of Wilmington and Tewksbury to create a unified development plan for 500 acres of undeveloped land in the Lowell Junction area. The main focus of the plan is the creation of a new interchange on I-93. The Federal Highway Administration has approved the new interchange. The three communities have applied for a state grant for the design and engineering of the proposed interchange.

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

Given a number of years of reduced state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the raising rate of employee healthcare costs. The Town has also been able to maintain a significant level of reserve capacity during these challenging years. The Town recently appropriated $2,000,000 of Free Cash into the Stabilization Fund, increasing its standing undesignated fund balance to approximately $3,000,000.

The Town is currently managing approximately $100 million worth of long and short-term debt. This indebtedness consists of approximately $89 million of general obligation bonds and $11 million of short term notes outstanding. Approximately $26 million or 30% of the $89 million is scheduled to be paid by the end of fiscal 2010 and the remaining $63 million by fiscal 2027. Approximately $30 million is self-supporting through enterprise fund revenues. Also, the Commonwealth will be reimbursing the Town approximately $18 million of the General Obligation Bonds through a program to assist the communities in the building of new school facilities.

The Town has authorized and unissued debt for land acquisition, landfill closure, school construction, water and sewer infrastructure and other various projects totaling $29 million as of June 30, 2007.

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

An Audit Committee is being established to assist the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

Cash management policies and practices. The Town of Andover issues property tax bills quarterly and derives approximately 72% of annual General Fund revenue from this source. The quarterly billings result in a cyclical buildup and then spend down of operational cash reserves. Every effort is made to put our reserves to work. For the past 24 months, this has been a challenging proposition due to the historically low rate of return for most traditional investment vehicles. Most permissible investments are influenced by this rate. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

On a daily basis, the Treasurer transfers excess funds out of all depository accounts into a repurchase account with Century Bank. Surpluses are transferred to various banks to obtain the highest competitive return. The Treasurer is responsible for having on hand adequate cash to pay bills and fund payroll on a weekly basis. Requirements as such, including legal investment constraints, limit the Treasurer's ability to invest longer term. In today's earnings environment, short-term earnings are modest.

The Treasurer must continually evaluate cash flow data to determine that amount of money that can be invested for a longer term, thus yielding a higher return. The Treasurer operates on an aggregate cash basis and invests in the same fashion. This means that the Treasurer does not make separate investments linked to fund balances maintained on the general ledger but invests on the basis of estimated aggregate cash surpluses and the availability of those surpluses. Currently, the maturities of the various investments range from 30 days to one year with an average maturity of approximately three months.

While maintaining a highly diversified investment portfolio, the Treasurer also aims to maintain competitive investment relationships with numerous banks and other financial institutions. Since short-term rates fluctuate frequently amongst these institutions, the Treasurer has arranged to be notified automatically whenever a rate change occurs.

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

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

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

The Town of Andover also provides post retirement health care benefits for certain retirees and their dependents. There were 311 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits. For Fiscal 2009, the Town will have to conduct an actuarial valuation to determine this unfunded liability and begin to recognize the annual cost of reducing this liability in addition to the current year benefits.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This was the second consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town received an E-Government award in FY07 from Common Cause Massachusetts in recognition of its commitment to open government by posting all key government records on its website. The Town's Assessors' Office also received an award from the Massachusetts Association of Assessing Officers in recognition of its public information outreach efforts and commitment to inform the Andover taxpayers.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance and Accounting department staffs. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen and Town Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover's finances. And special thanks to Theo Moccia, Assistant Town Accountant, who was instrumental in coordinating and providing support for the preparation of this report.

Respectfully submitted,

Reginald S. Stapczynski
Town Manager

Rodney P. Smith
Town Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Andover Massachusetts

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

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

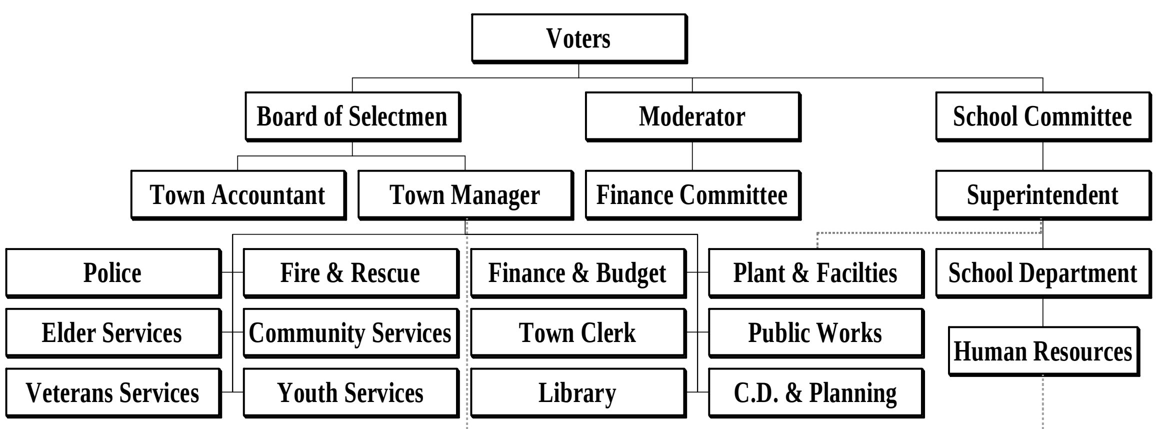
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Town of Andover

ORGANIZATION



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

Principal Town Officials

Elected Officials

Board of Selectmen	Brian P. Major, Chairman Ted E. Teichert Alexander J. Vispoli Mary K. Lyman Gerald Stabile, Jr.
Town Moderator	Sheila M. Doherty
School Committee	Arthur H. Barber, Chairman Anthony H. James Debra Rahmin Silberstein Richard J. Collins David S. Samuels

Appointed Officials

Town Manager	Reginald S. Stapczynski
Assistant Town Manager	Steven S. Bucuzzo
Town Accountant	Rodney P. Smith
Finance Director	Anthony J. Torrisi
Treasurer	David J. Reilly
Town Assessor	Bruce A. Symmes
Town Clerk	Randall L. Hanson
Fire Chief	Michael B. Mansfield
Police Chief	Brian J. Pattullo
Human Resources Director	Candace Hall
Library Director	James E. Sutton
Plant & Facilities Director	Joseph R. Piantedosi
Public Works Director	John A. Petkus, Jr.

Financial Section

Civil War Monument

Financial Section

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Andover, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of and for the fiscal year ended June 30, 2007 (except for the Andover Contributory Retirement System which is as of and for the year ended December 31, 2006), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Andover, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Massachusetts, as of June 30, 2007 (except for the Andover Contributory Retirement System which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the Town of Andover, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 no to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Powers + Sullivan

October 5, 2007

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 fiscal year ended June 30,2007. 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 fiscal year, the Town's general fund and stabilization fund reported combined ending fund balances of $10.3 million which represents 9% of total general fund budgetary basis expenditures.
- The Town maintains an annual contribution fund within the nonmajor governmental funds which has $943,000 of available funds that is unrestricted and may be used for any approved Town purpose. This fund represents 0.8% of total general fund budgetary basis expenditures.
- The assets of the Town of Andover exceeded it liabilities at the close of the most recent fiscal year by $166.5 million (net assets).
- Of this amount, 15% or $25.3 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- The Town's total governmental debt (short-term and long-term combined) decreased by $1.8 million during the current fiscal year. This was due to the net effect of $1.9 million and $5.8 million in principal payments on short-term and long-term debt, respectively and the issuance of $2.7 million and $3.2 million in short-term and long-term debt, respectively, for landfill closure, land acquisition, building renovations, infrastructure improvements and the purchase of a fire truck.
- The Town's total business-type debt (short-term and long-term combined) increased by $2.6 million during the current fiscal year. This was due to the net effect of $14.1 million and $2.8 million in principal payments on short-term and long-term debt, respectively and the issuance of $8.8 million and $10.7 million in short-term and long-term debt, respectively, for infrastructure improvements.
- The Massachusetts School Building Authority (MSBA) is committed to providing assistance in the form of a capital grant equal to 60% of approved cost related to the Town's school construction projects through its school building assistance program.

Overview of the Financial Statements

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

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

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

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

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town of Andover's assets exceeded liabilities by $166.5 million at the close of Fiscal 2007 an increase of $747,000 from the prior year.

Net assets of $136.6 million (82%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net assets $4.6 million (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* $25.3 million (15%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities

The Town of Andover's assets exceeded liabilities for governmental activities by $106.3 million at the close of Fiscal 2007.

	Governmental Activities	
	FY07	FY06
Assets:		
Current assets	$ 37,834,701	$ 32,335,143
Noncurrent assets (excluding capital)	15,222,992	16,789,143
Capital assets	127,062,184	129,124,955
Total assets	**180,119,877**	**178,249,241**
Liabilities:		
Current liabilities (excluding debt)	7,237,565	5,609,788
Noncurrent liabilities (excluding debt)	9,466,000	7,913,000
Current debt	8,685,287	7,718,841
Noncurrent debt	48,456,838	51,249,125
Total liabilities	**73,845,690**	**72,490,754**
Net Assets:		
Capital assets net of related debt	91,189,027	89,418,470
Restricted	4,610,472	4,032,029
Unrestricted	10,474,688	12,307,988
Total net assets	**$ 106,274,187**	**$ 105,758,487**

	Governmental Activities	
	FY07	FY06
Program revenues:		
Charges for services……………………………………	$ 10,194,161	$ 9,936,469
Operating grants and contributions……………………	20,872,221	18,475,708
Capital grants and contributions………………………	2,591,138	890,600
General Revenues:		
Real estate and personal property taxes………………	89,517,870	85,467,543
Motor vehicle and other excise taxes…………………	5,705,902	5,439,946
Nonrestricted grants……………………………………	2,558,873	2,016,691
Unrestricted investment income………………………	1,603,144	955,407
Other revenues…………………………………………	819,262	471,235
Total revenues………………………………………	**133,862,571**	**123,653,599**
Expenses:		
General government……………………………………	4,958,016	4,450,036
Plant and facilites………………………………………	6,312,238	5,971,059
Community development………………………………	2,177,757	1,920,879
Public safety……………………………………………	17,692,134	17,782,178
Education………………………………………………	85,198,802	79,034,278
Public works……………………………………………	9,257,382	7,405,556
Community services……………………………………	3,082,209	2,833,581
Library……………………………………………………	3,748,315	3,433,876
Interest……………………………………………………	3,079,688	2,569,615
Total expenses………………………………………	**135,506,541**	**125,401,058**
Excess (Deficiency) before transfers…………………	**(1,643,970)**	**(1,747,459)**
Transfers……………………………………………………	**2,159,670**	**2,060,104**
Change in net assets……………………………………	**$ 515,700**	**$ 312,645**

The governmental expenses totaled $135.5 million of which $33.7 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled $100.2 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

The governmental net assets increased by $516,000 during the current fiscal year which is primarily due to revenue and expenditure surpluses that reduced the amount of free cash needed to balance the general fund operating budget.

The change in public works expenditures is primarily due to a $541,000 decrease in fiscal 2006 expenditures that resulted from the refunding of the Town’s equity interest in its investment in joint venture and an increase of approximately $1.2 million in the fiscal 2007 landfill closure and post-closure care liability.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by $60.2 million at the close of Fiscal 2007.

	Business-type Activities	
	FY07	FY06
Assets:		
Current assets……	$ 14,625,334	$ 14,831,396
Noncurrent assets (excluding capital)……	8,174,072	7,004,696
Capital assets……	82,897,852	80,634,505
Total assets……	**105,697,258**	**102,470,597**
Liabilities:		
Current liabilities (excluding debt)……	1,431,393	1,093,952
Noncurrent liabilities (excluding debt)……	301,000	271,000
Current debt……	11,588,760	16,811,167
Noncurrent debt……	32,155,752	24,305,886
Total liabilities……	**45,476,905**	**42,482,005**
Net Assets:		
Capital assets net of related debt……	45,396,161	44,383,954
Unrestricted……	14,824,192	15,604,638
Total net assets……	**$ 60,220,353**	**$ 59,988,592**

	Business-type Activities	
	FY07	FY06
Program revenues:		
Charges for services……	$ 9,926,401	$ 9,336,513
Capital grants and contributions……	1,838,804	2,706,471
General Revenues:		
Unrestricted investment income……	161,991	156,912
Total revenues……	**11,927,196**	**12,199,896**
Expenses:		
Water……	5,837,589	5,522,811
Sewer……	3,698,176	3,920,303
Total expenses……	**9,535,765**	**9,443,114**
Excess (Deficiency) before transfers……	**2,391,431**	**2,756,782**
Transfers……	**(2,159,670)**	**(2,060,104)**
Change in net assets……	**$ 231,761**	**$ 696,678**

Business-type net assets of $45.4 million (75%) represent the investment in capital assets while $14.8 million (25%) is unrestricted. The Town's business-type net assets increased by $232,000 in the current fiscal year.

The sewer department experienced an increase of $1.5 million in net assets. Charges for services increased by 22% while cost of services and administration increased by 18%. The increase in net assets is primarily due to sewer special assessments.

The water department net assets decreased by $1.3 million. Charges for services decreased by 2% while cost of services and administration increased by $10%. The decrease was primarily due to the use of $750,000 of retained earnings to balance the operating budget and a $520,000 revenue deficit.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $19.9 million, of which $7.2 million is for the general fund, $4.8 million is for the Town grants/other revolving fund and $7.9 million is for nonmajor governmental funds. Cumulatively there was an increase of $1 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was 3.8 million, while total fund balance was $7.2 million. Reservations of fund balance for encumbrances and continuing appropriations totaled $2.7 million and $712,000 was designated for amounts voted to be used in fiscal 2008. Unreserved fund balance represents 3% of total general fund expenditures, while total fund balance represents 6% of that same amount. The General Fund had a decrease of $2.1 million that is primarily due to a $2 million transfer to the stabilization fund.

The Town grants/other revolving fund experienced an increase of $760,000 that is primarily due to timing differences between the receipt of grant proceeds and when expenditures are incurred.

The Stabilization fund experienced an increase of $2 million that is primarily due to an interfund transfer from the general fund.

The nonmajor funds experienced an increase of $339,000 that is primarily due to timing differences between the receipt and expenditure of grant funds.

General Fund Budgetary Highlights

The $2.8 million increase between the original budget and the final amended budget was primarily due to a $300,000 transfer to the employee compensation fund, a $2 million transfer to the stabilization fund and $492,000 of appropriations for liability insurance, health insurance and unemployment compensation.

Capital Asset and Debt Administration

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

Outstanding long-term debt of the general government, as of June 30, 2007, totaled $54.5 million, of which $35.4 million is related to school projects and $9.6 million is for public safety projects, leaving a balance of $9.5 million for other CIP related projects. The Town issued $3.2 million of long-term bonds to fund school renovation projects, landfill closure, land acquisition and street and sidewalk repairs.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2007 the Town is scheduled to receive $2.3 million of future interest grants and $16 million of capital grants. The payment schedule of the Commonwealth is structured to match the debt service expenditures.

The Town has $2.6 million in governmental and $8.8 million in enterprise bond anticipation notes outstanding at year-end that are due on December 7, 2007 and bearing interest rates of 4%.

The sewer and water enterprise funds have $23.1 million and $11.9 million, respectively of outstanding long-term debt at year-end that is fully supported by rates and does not rely on a general fund subsidy.

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

- Governmental additions included land improvements, building improvements, machinery and equipment, vehicles, infrastructure and library books totaling approximately $4.6 million.

- Sewer and water infrastructure additions totaling approximately $5.1 million were completed in fiscal 2007.

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 22,839,820	$ 9,638,702	$ 32,478,522
Investments	6,042,824	-	6,042,824
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	1,835,368	-	1,835,368
Tax liens	618,221	32,411	650,632
Motor vehicle and other excise taxes	576,192	-	576,192
User fees	-	3,810,181	3,810,181
Departmental and other	302,635	-	302,635
Special assessments	-	514,396	514,396
Intergovernmental	5,214,907	1,098,144	6,313,051
Tax foreclosures	252,789	-	252,789
Deferred loss on refunding	151,945	13,333	165,278
Sub-total	37,834,701	15,107,167	52,941,868
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals	57,660	-	57,660
Intergovernmental	14,649,623	-	14,649,623
Special assessments	-	7,646,987	7,646,987
Deferred loss on refunding	515,709	45,252	560,961
Capital assets, net of accumulated depreciation:			
Nondepreciable	26,222,057	381,147	26,603,204
Depreciable	100,840,127	82,516,705	183,356,832
Sub-total	142,285,176	90,590,091	232,875,267
TOTAL ASSETS	180,119,877	105,697,258	285,817,135
LIABILITIES			
CURRENT:			
Warrants payable	2,327,775	1,047,149	3,374,924
Accrued payroll	3,259,020	-	3,259,020
Accrued interest	332,712	271,670	604,382
Other liabilities	90,058	7,574	97,632
Compensated absences	1,086,000	105,000	1,191,000
Workers' compensation	142,000	-	142,000
Bonds and notes payable	8,685,287	11,588,760	20,274,047
Sub-total	15,922,852	13,020,153	28,943,005
NONCURRENT:			
Landfill closure	5,520,000	-	5,520,000
Compensated absences	3,403,000	301,000	3,704,000
Workers' compensation	543,000	-	543,000
Bonds and notes payable	48,456,838	32,155,752	80,612,590
Sub-total	57,922,838	32,456,752	90,379,590
TOTAL LIABILITIES	73,845,690	45,476,905	119,322,595
NET ASSETS			
Invested in capital assets, net of related debt	91,189,027	45,396,161	136,585,188
Restricted for:			
Permanent funds:			
Expendable	434,628	-	434,628
Nonexpendable	1,261,498	-	1,261,498
Gifts and grants	2,914,346	-	2,914,346
Unrestricted	10,474,688	14,824,192	25,298,880
TOTAL NET ASSETS	$ 106,274,187	$ 60,220,353	$ 166,494,540

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government................	$ 4,958,016	$ 892,052	$ 136,259	$ -	$ (3,929,705)
Plant and facilities..................	6,312,238	-	162,947	-	(6,149,291)
Community development..........	2,177,757	-	2,500	-	(2,175,257)
Public safety.........................	17,692,134	3,880,398	463,868	12,105	(13,335,763)
Education.............................	85,198,802	3,556,254	18,485,493	-	(63,157,055)
Public works..........................	9,257,382	183,267	239,160	2,579,033	(6,255,922)
Community services................	3,082,209	1,630,729	400,176	-	(1,051,304)
Library.................................	3,748,315	51,461	421,717	-	(3,275,137)
Interest................................	3,079,688	-	560,101	-	(2,519,587)
Total Governmental Activities...	135,506,541	10,194,161	20,872,221	2,591,138	**(101,849,021)**
Business-Type Activities:					
Water....................................	5,837,589	6,026,114	-	3,304	191,829
Sewer...................................	3,698,176	3,900,287	-	1,835,500	2,037,611
Total Business-Type Activities..	9,535,765	9,926,401	-	1,838,804	**2,229,440**
Total Primary Government.......	$ 145,042,306	$ 20,120,562	$ 20,872,221	$ 4,429,942	**$ (99,619,581)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page......	**$ (101,849,021)**	**$ 2,229,440**	**$ (99,619,581)**
General revenues:			
Real estate and personal property taxes, net of tax refunds payable......................	89,517,870	-	89,517,870
Tax liens..	160,701	-	160,701
Motor vehicle and other excise taxes..........	4,665,464	-	4,665,464
Hotel/motel tax....................................	1,040,438	-	1,040,438
Penalties and interest on taxes.................	314,296	-	314,296
Grants and contributions not restricted to specific programs................................	2,558,873	-	2,558,873
Unrestricted investment income................	1,603,144	161,991	1,765,135
Miscellaneous......................................	344,265	-	344,265
Transfers, net	2,159,670	(2,159,670)	-
Total general revenues and transfers.............	102,364,721	(1,997,679)	100,367,042
Change in net assets............................	515,700	231,761	747,461
Net Assets:			
Beginning of year....................................	105,758,487	59,988,592	165,747,079
End of year..	$ 106,274,187	$ 60,220,353	$ 166,494,540

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2007

ASSETS	General	Town Grants/ Other Revolving	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 8,670,156	$ 3,788,532	$ 968,135	$ 8,416,404	$ 21,843,227
Investments	2,690,020	1,279,420	2,073,384	-	6,042,824
Receivables, net of uncollectibles:					
Real estate and personal property taxes	1,835,368	-	-	-	1,835,368
Real estate tax deferrals	57,660	-	-	-	57,660
Tax liens	618,221	-	-	-	618,221
Motor vehicle and other excise taxes	576,192	-	-	-	576,192
Departmental and other	249,259	53,376	-	-	302,635
Intergovernmental	16,045,857	3,818,673	-	-	19,864,530
Tax foreclosures	252,789	-	-	-	252,789
TOTAL ASSETS	$ 30,995,522	$ 8,940,001	$ 3,041,519	$ 8,416,404	$ 51,393,446
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable	$ 954,460	$ 556,433	$ -	$ 814,934	$ 2,325,827
Accrued payroll	3,185,467	-	-	73,553	3,259,020
Accrued interest on short-term debt	46,228	-	-	-	46,228
Other liabilities	90,058	-	-	-	90,058
Deferred revenues	19,475,346	3,604,770	-	-	23,080,116
Notes payable	-	-	-	2,650,000	2,650,000
TOTAL LIABILITIES	23,751,559	4,161,203	-	3,538,487	31,451,249
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations	2,694,727	-	-	-	2,694,727
Perpetual permanent funds	-	-	-	1,261,498	1,261,498
Unreserved:					
Designated for subsequent year's expenditures	712,000	-	-	-	712,000
Undesignated, reported in:					
General fund	3,837,236	-	-	-	3,837,236
Special revenue funds	-	4,778,798	3,041,519	1,247,797	9,068,114
Capital projects funds	-	-	-	1,933,994	1,933,994
Permanent funds	-	-	-	434,628	434,628
TOTAL FUND BALANCES	7,243,963	4,778,798	3,041,519	4,877,917	19,942,197
TOTAL LIABILITIES AND FUND BALANCES	$ 30,995,522	$ 8,940,001	$ 3,041,519	$ 8,416,404	$ 51,393,446

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

Total governmental fund balances……		$ 19,942,197
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds……		127,062,184
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds……		23,080,116
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets……		309,645
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due……		(286,484)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable……	(54,492,125)	
Landfill closure……	(5,520,000)	
Compensated absences……	(4,489,000)	
Net effect of reporting long-term liabilities……		(64,501,125)
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued……		667,654
Net assets of governmental activities……		$ 106,274,187

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	General	Town Grants/ Other Revolving	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes					
net of tax refunds	$ 89,296,522	$ -	$ -	$ -	$ 89,296,522
Tax liens	35,720	-	-	-	35,720
Motor vehicle and other excise taxes	4,563,040	-	-	-	4,563,040
Hotel/motel tax	976,350	-	-	-	976,350
Penalties and interest on taxes	314,296	-	-	-	314,296
Fees	-	212,204	-	-	212,204
Licenses and permits	1,862,982	-	-	-	1,862,982
Intergovernmental	20,152,232	1,856,833	-	3,526,012	25,535,077
Departmental and other	2,756,439	2,688,882	-	3,288,046	8,733,367
Contributions	-	180,970	-	17,420	198,390
Investment income	1,474,892	60,345	48,442	76,459	1,660,138
TOTAL REVENUES	121,432,473	4,999,234	48,442	6,907,937	133,388,086
EXPENDITURES:					
Current:					
General government	3,479,423	116,728	-	-	3,596,151
Plant and facilities	4,381,340	50,248	-	-	4,431,588
Community development	1,495,167	129,194	-	-	1,624,361
Public safety	12,345,882	1,225,635	-	-	13,571,517
Education	55,399,739	665	-	6,724,205	62,124,609
Public works	5,275,679	1,305,160	-	1,500	6,582,339
Community services	1,647,905	875,939	-	1,748	2,525,592
Library	2,574,550	98,384	-	1,332	2,674,266
Pension benefits	12,832,746	64,225	-	-	12,896,971
Property and liability insurance	805,315	-	-	-	805,315
Employee benefits	9,956,000	522,930	-	-	10,478,930
State and county charges	2,514,120	-	-	-	2,514,120
Capital outlay	-	-	-	5,210,089	5,210,089
Debt service:					
Principal	5,833,841	-	-	-	5,833,841
Interest	2,920,044	-	-	-	2,920,044
TOTAL EXPENDITURES	121,461,751	4,389,108	-	11,938,874	137,789,733
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,278)	610,126	48,442	(5,030,937)	(4,401,647)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes	-	-	-	3,243,000	3,243,000
Transfers in	2,257,907	300,000	2,000,000	2,221,097	6,779,004
Transfers out	(4,375,135)	(150,490)	-	(93,709)	(4,619,334)
TOTAL OTHER FINANCING SOURCES (USES)	(2,117,228)	149,510	2,000,000	5,370,388	5,402,670
NET CHANGE IN FUND BALANCES	(2,146,506)	759,636	2,048,442	339,451	1,001,023
FUND BALANCES AT BEGINNING OF YEAR	9,390,469	4,019,162	993,077	4,538,466	18,941,174
FUND BALANCES AT END OF YEAR	$ 7,243,963	$ 4,778,798	$ 3,041,519	$ 4,877,917	$ 19,942,197

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

FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds		$ 1,001,023
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.		
Capital outlay	3,563,752	
Depreciation expense	(5,613,942)	
Net effect of reporting capital assets		(2,050,190)
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets		(12,581)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue		423,141
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Proceeds from bonds and notes	(3,243,000)	
Debt service principal payments	5,833,841	
Net effect of reporting long-term debt		2,590,841
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.		
Net change in compensated absences accrual	(272,000)	
Net change in accrued interest on long-term debt	18,232	
Net change in landfill accrual	(1,150,000)	
Amortization of deferred charge on refunding	(177,877)	
Net effect of recording long-term liabilities and amortizing deferred losses		(1,581,645)
Internal service funds are used by management to account for health insurance and workers' compensation activities.		
The net activity of internal service funds is reported with Governmental Activities		145,111
Change in net assets of governmental activities		$ 515,700

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Total	Governmental Activities - Internal Service Funds
ASSETS				
CURRENT:				
Cash and cash equivalents	$ 6,779,358	$ 2,859,344	$ 9,638,702	$ 996,593
Receivables, net of allowance for uncollectibles:				
Water and sewer liens	24,395	8,016	32,411	-
User fees	2,454,369	1,355,812	3,810,181	-
Special assessments	-	514,396	514,396	-
Intergovernmental	1,098,144	-	1,098,144	-
Deferred loss on refunding	13,333	-	13,333	-
Total current assets	10,369,599	4,737,568	15,107,167	996,593
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments	6,303	7,640,684	7,646,987	-
Deferred loss on refunding	45,252	-	45,252	-
Capital assets, net of accumulated depreciation:				
Nondepreciable	266,017	115,130	381,147	-
Depreciable	41,431,532	41,085,173	82,516,705	-
Total noncurrent assets	41,749,104	48,840,987	90,590,091	-
TOTAL ASSETS	52,118,703	53,578,555	105,697,258	996,593
LIABILITIES				
CURRENT:				
Warrants payable	1,042,277	4,872	1,047,149	1,948
Accrued interest	79,652	192,018	271,670	-
Other liabilities	-	7,574	7,574	-
Compensated absences	90,000	15,000	105,000	-
Workers' compensation	-	-	-	142,000
Bonds and notes payable	3,823,270	7,765,490	11,588,760	-
Total current liabilities	5,035,199	7,984,954	13,020,153	143,948
NONCURRENT:				
Compensated absences	245,000	56,000	301,000	-
Workers' compensation	-	-	-	543,000
Bonds and notes payable	10,595,275	21,560,477	32,155,752	-
Total noncurrent liabilities	10,840,275	21,616,477	32,456,752	543,000
TOTAL LIABILITIES	15,875,474	29,601,431	45,476,905	686,948
NET ASSETS				
Invested in capital assets, net of related debt	31,338,401	14,057,760	45,396,161	-
Unrestricted	4,904,828	9,919,364	14,824,192	309,645
TOTAL NET ASSETS	$ 36,243,229	$ 23,977,124	$ 60,220,353	$ 309,645

See notes to basic financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Employee contributions	$ -	$ -	$ -	$ 3,663,676
Employer contributions	-	-	-	10,133,626
Charges for services	6,026,114	3,900,287	9,926,401	-
Special assessments	3,304	1,687,490	1,690,794	-
TOTAL OPERATING REVENUES	6,029,418	5,587,777	11,617,195	13,797,302
OPERATING EXPENSES:				
Cost of services and administration	3,894,937	1,952,299	5,847,236	-
Depreciation	1,716,791	1,099,086	2,815,877	-
Employee benefits	-	-	-	13,661,168
Insurance	-	-	-	42,368
TOTAL OPERATING EXPENSES	5,611,728	3,051,385	8,663,113	13,703,536
OPERATING INCOME (LOSS)	417,690	2,536,392	2,954,082	93,766
NONOPERATING REVENUES (EXPENSES):				
Investment income	127,904	34,087	161,991	51,345
Interest expense	(225,861)	(646,791)	(872,652)	-
Intergovernmental	-	148,010	148,010	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(97,957)	(464,694)	(562,651)	51,345
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	319,733	2,071,698	2,391,431	145,111
TRANSFERS:				
Transfers out	(1,577,634)	(582,036)	(2,159,670)	-
TOTAL TRANSFERS	(1,577,634)	(582,036)	(2,159,670)	-
CHANGE IN NET ASSETS	(1,257,901)	1,489,662	231,761	145,111
NET ASSETS AT BEGINNING OF YEAR	37,501,130	22,487,462	59,988,592	164,534
NET ASSETS AT END OF YEAR	$36,243,229	$23,977,124	$60,220,353	$ 309,645

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 6,129,236	$ 4,724,833	$ 10,854,069	$ 3,663,676
Receipts from interfund services provided	-	-	-	10,133,626
Payments to vendors	(1,601,360)	(1,620,377)	(3,221,737)	-
Payments to employees	(1,728,806)	(356,108)	(2,084,914)	(60,936)
Payments for interfund services used	-	-	-	(13,291,052)
NET CASH FROM OPERATING ACTIVITIES	2,799,070	2,748,348	5,547,418	445,314
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(1,577,634)	(582,036)	(2,159,670)	-
Intergovernmental	-	148,010	148,010	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,577,634)	(434,026)	(2,011,660)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes	7,090,491	11,250,000	18,340,491	-
Acquisition and construction of capital assets	(4,326,646)	(752,577)	(5,079,223)	-
Principal payments on bonds and notes	(5,042,009)	(11,769,167)	(16,811,176)	-
Interest expense	(248,189)	(782,000)	(1,030,189)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,526,353)	(2,053,744)	(4,580,097)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments	-	6,321	6,321	-
Investment income	127,904	34,087	161,991	51,345
NET CASH FROM INVESTING ACTIVITIES	127,904	40,408	168,312	51,345
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(1,177,013)	300,986	(876,027)	496,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,956,371	2,558,358	10,514,729	499,934
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,779,358	$ 2,859,344	$ 9,638,702	$ 996,593
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	$ 417,690	$ 2,536,392	$ 2,954,082	$ 93,766
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	1,716,791	1,099,086	2,815,877	-
Changes in assets and liabilities:				
Water and sewer liens	(24,395)	(8,016)	(32,411)	-
User fees	123,177	(97,454)	25,723	-
Special assessments	1,036	(757,474)	(756,438)	-
Working capital deposit	-	-	-	185,600
Warrants payable	602,739	(34,199)	568,540	1,948
Accrued payroll	(29,968)	(7,292)	(37,260)	-
Other liabilities	-	305	305	-
Accrued compensated absences	(8,000)	17,000	9,000	-
Workers' compensation	-	-	-	164,000
Total adjustments	2,381,380	211,956	2,593,336	351,548
NET CASH FROM OPERATING ACTIVITIES	$ 2,799,070	$ 2,748,348	$ 5,547,418	$ 445,314

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ 2,701,182	$ 190,479	$ 341,238
Investments:			
Government sponsored agencies	-	1,236,739	-
Bond mutual funds	21,853,362	-	-
Equity securities	14,847,472	-	-
Equity mutual funds	41,758,104	-	-
PRIT	15,231,035	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental	6,402	-	-
Interest and dividends	11,178	-	-
TOTAL ASSETS	96,408,735	1,427,218	341,238
LIABILITIES			
Warrants payable	60,455	-	-
Liabilities due depositors	-	-	341,238
TOTAL LIABILITIES	60,455	-	341,238
NET ASSETS			
Held in trust for pension benefits and other purposes	$ 96,348,280	$ 1,427,218	$ -

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer	$ 4,100,686	$ -
Employee	2,731,266	-
Private donations	-	9,946
Total contributions	6,831,952	9,946
Net investment income (loss):		
Net change in fair value of investments	10,175,433	-
Interest	1,957,947	234,158
Total investment income (loss)	12,133,380	234,158
Less: investment expense	(388,529)	-
Net investment income (loss)	11,744,851	234,158
Intergovernmental	130,629	-
Transfers from other systems	390,865	-
TOTAL ADDITIONS	19,098,297	244,104
DEDUCTIONS:		
Administration	145,262	13,692
Transfers to other systems	323,243	-
Retirement benefits and refunds	6,869,306	-
Educational scholarships	-	45,354
TOTAL DEDUCTIONS	7,337,811	59,046
CHANGE IN NET ASSETS	11,760,486	185,058
NET ASSETS AT BEGINNING OF YEAR	84,587,794	1,242,160
NET ASSETS AT END OF YEAR	$ 96,348,280	$ 1,427,218

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

In the Fiduciary Funds:

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

Availability of Financial Information for Component Units

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental 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 *Town grants/other revolving* 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.

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

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

The s*pecial revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

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

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

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

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

The following major proprietary funds are reported:

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

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

Additionally, the following proprietary fund type is reported:

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

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

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

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes, and Tax Liens

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

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of $10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction-in-progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements………………	5-50
Buildings……………………………	5-50
Machinery and equipment………	3-20
Vehicles……………………………	5
Library and textbooks……………	10
Infrastructure……………………	10-50

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Net assets have been “restricted for” the following: “Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

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

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

Fund Financial Statements (Fund Balances)

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

Fund balances have been “reserved for” the following:

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

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

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2008 operating budget.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording its share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2007, this expenditure totaled approximately $1,468,000. There were approximately 311 participants eligible to receive benefits at June 30, 2007.

The Commonwealth of Massachusetts administers a health insurance plan for all retired teachers of the Commonwealth. The cost of providing that benefit is assessed to each community annually. For the fiscal year ending June 30, 2007 this expense/expenditure amounted to $2,041,987. The number of participants covered is not provided by the Commonwealth.

P. Fund Deficits

The school capital projects fund had a deficit of $391,000. This deficit will be funded with bond proceeds in future fiscal years.

The public safety capital projects fund had a deficit of $492,000. This deficit will be funded with available fund balance and/or bond proceeds in future fiscal years.

The Worker’s Compensation fund has a deficit of $544,000. This deficit will be funded with available fund balance in future fiscal years.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Andover's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled $27,325,497 and the bank balance totaled $28,994,638. Of the bank balance, $810,097 was covered by Federal Depository Insurance, and $28,184,541 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2006, the carrying amount of deposits for the Retirement System totaled $268,520 and the bank balance totaled $346,881. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of $193,965 in government agencies, $5,888,709 in government sponsored enterprises and $195,756 in equity securities, the Town has a custodial credit risk exposure of $6,278,430 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

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

Interest Rate Risk

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

As of June 30, 2007, the Town of Andover had the following investments:

		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10
Debt Securities:				
Government Agencies………………….	$ 193,965	$ 98,590	$ -	$ 95,375
Government Sponsored Enterprises…..	5,888,709	2,295,307	2,041,338	1,552,064
Total Debt Securities..........................	6,082,674	$ 2,393,897	$ 2,041,338	$ 1,647,439
Other Investments:				
Money Market Mutual Funds…………..	2,327,292			
Equity Securities....................................	195,756			
Equity Mutual Funds..............................	1,001,133			
MMDT…………………………………….	3,357,450			
Total Investments...............................	$ 12,964,305			

As of December 31, 2006, the Retirement System had the following investments:

		Investment Maturities (in years)
Investment Type	Fair Value	6 to 10
Debt Securities:		
Fixed Income Mutual Funds……………….	$ 21,853,362	$ 21,853,362
Other Investments:		
Money Market Mutual Funds……………….	2,318,909	
MMDT………………………………………….	113,753	
PRIT Real Estate…………………………….	10,716,571	
PRIT……………………………………………	4,514,464	
Equity Mutual Funds...................................	41,758,104	
International Equity Mutual Funds................	14,847,472	
Total Investments.....................................	$ 96,122,635	

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. Standard & Poor's Investors Service rated $5,888,709 of government sponsored enterprise securities AAA.

The Retirement System has not adopted a formal policy related to Credit Risk. Standard & Poor's Investors Service rated $21,853,362 of fixed income mutual funds AA.

Concentration of Credit Risk

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

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

NOTE 3 – RECEIVABLES

At June 30, 2007, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes....	$ 1,835,368	$ -	$ 1,835,368
Real estate tax deferrals........................	57,660	-	57,660
Tax liens...	618,221	-	618,221
Motor vehicle and other excise taxes.........	1,079,689	(503,497)	576,192
Departmental and other.........................	312,579	(9,944)	302,635
Intergovernmental................................	19,864,530	-	19,864,530
Total...	$ 23,768,047	$ (513,441)	$ 23,254,606

At June 30, 2007, receivables for the water and sewer enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user fees....................................	$ 2,454,369	$ -	$ 2,454,369
Sewer user fees....................................	1,355,812	-	1,355,812
Water liens..	24,395	-	24,395
Sewer liens..	8,016	-	8,016
Water special assessments......................	6,303	-	6,303
Sewer special assessments......................	8,155,080	-	8,155,080
Water intergovernmental..........................	1,098,144	-	1,098,144
	$ 13,102,119	$ -	$ 13,102,119

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

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes……	$ 1,675,368	$ -	$ 1,675,368
Real estate tax deferrals………………………	57,660	-	57,660
Tax liens………………………………………	618,221	-	618,221
Tax foreclosure………………………………	252,789	-	252,789
Motor vehicle and other excise………………	576,137	-	576,137
Departmental…………………………………	249,314	53,376	302,690
Intergovernmental……………………………	16,045,857	3,551,394	19,597,251
Total…………………………………………	$ 19,475,346	$ 3,604,770	$ 23,080,116

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land………………………………………	$ 26,137,057	$ -	$ -	$ 26,137,057
Construction in progress………………………	1,168,811	85,000	(1,168,811)	85,000
Total capital assets not being depreciated………	27,305,868	85,000	(1,168,811)	26,222,057
Capital assets being depreciated:				
Buildings and building improvements…………………	136,304,277	68,610	-	136,372,887
Machinery and equipment………………………	4,986,522	1,743,123	(10,187)	6,719,458
Land improvements………………………………	3,373,301	1,132,365	-	4,505,666
Infrastructure……………………………………	29,533,756	1,150,187	-	30,683,943
Vehicles…………………………………………	5,238,938	211,652	(115,583)	5,335,007
Library books……………………………………	4,466,066	341,626	-	4,807,692
Total capital assets being depreciated……………	183,902,860	4,647,563	(125,770)	188,424,653
Less accumulated depreciation for:				
Buildings and building improvements…………………	(53,661,134)	(3,482,495)	-	(57,143,629)
Machinery and equipment………………………	(2,620,677)	(622,543)	7,640	(3,235,580)
Land improvements………………………………	(1,364,620)	(214,590)	-	(1,579,210)
Infrastructure……………………………………	(18,217,374)	(585,953)	-	(18,803,327)
Vehicles…………………………………………	(3,390,531)	(365,241)	105,549	(3,650,223)
Library books……………………………………	(2,829,437)	(343,120)	-	(3,172,557)
Total accumulated depreciation……………………	(82,083,773)	(5,613,942)	113,189	(87,584,526)
Total capital assets being depreciated, net………………	101,819,087	(966,379)	(12,581)	100,840,127
Total governmental activities capital assets, net………	$ 129,124,955	$ (881,379)	$ (1,181,392)	$ 127,062,184

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Business-Type Activites:				
Capital assets not being depreciated:				
Land	$ 115,130	$ -	$ -	$ 115,130
Capital assets being depreciated:				
Buildings and building improvements	1,281,181	-	-	1,281,181
Machinery and equipment	82,117	-	-	82,117
Infrastructure	48,962,634	752,577	-	49,715,211
Vehicles	96,693	-	-	96,693
Total capital assets being depreciated	50,422,625	752,577	-	51,175,202
Less accumulated depreciation for:				
Buildings and building improvements	(688,636)	(32,030)	-	(720,666)
Machinery and equipment	(11,027)	(5,082)	-	(16,109)
Infrastructure	(8,264,774)	(1,042,636)	-	(9,307,410)
Vehicles	(26,506)	(19,338)	-	(45,844)
Total accumulated depreciation	(8,990,943)	(1,099,086)	-	(10,090,029)
Total capital assets being depreciated, net	41,431,682	(346,509)	-	41,085,173
Total sewer business-type activities capital assets, net	$ 41,546,812	$ (346,509)	$ -	$ 41,200,303

	Beginning Balance	Increases	Decreases	Ending Balance
Water Business-Type Activites:				
Capital assets not being depreciated:				
Land	$ 266,017	$ -	$ -	$ 266,017
Capital assets being depreciated:				
Buildings and building improvements	40,000	-	-	40,000
Machinery and equipment	446,169	24,320	-	470,489
Land improvements	31,058	-		31,058
Infrastructure	75,361,607	4,302,326	-	79,663,933
Vehicles	439,140	-	-	439,140
Total capital assets being depreciated	76,317,974	4,326,646	-	80,644,620
Less accumulated depreciation for:				
Buildings and building improvements	(39,500)	(500)	-	(40,000)
Machinery and equipment	(403,286)	(18,612)	-	(421,898)
Land improvements	(5,435)	(1,553)		(6,988)
Infrastructure	(36,741,313)	(1,653,330)	-	(38,394,643)
Vehicles	(306,764)	(42,795)	-	(349,559)
Total accumulated depreciation	(37,496,298)	(1,716,790)	-	(39,213,088)
Total capital assets being depreciated, net	38,821,676	2,609,856	-	41,431,532
Total water business-type activities capital assets, net	$ 39,087,693	$ 2,609,856	$ -	$ 41,697,549

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

Governmental Activities:	
General government……	$ 258,944
Public safety……	614,178
Education……	2,944,416
Public works……	898,636
Plant and facilities……	97,985
Library……	722,043
Community services……	77,740
Total depreciation expense - governmental activities……	$ 5,613,942
Business-Type Activities:	
Sewer……	$ 1,099,086
Water……	1,716,790
Total depreciation expense - business-type activities……	$ 2,815,876

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

	Transfers In:			
Transfers Out:	General Fund	Nonmajor Governmental Funds	Total	
General Fund……	$ -	$ 4,375,135	$ 4,375,135	(1)
Nonmajor Governmental Funds……	98,237	145,962	244,199	(2)
Sewer Enterprise Fund……	1,577,634	-	1,577,634	(3)
Water Enterprise Fund……	582,036	-	582,036	(3)
Total……	$ 2,257,907	$ 4,521,097	$ 6,779,004	

(1) Represents transfers to the employee compensation fund, the Town capital project funds and the stabilization fund.
(2) Represents the transfer of other available funds and other voted transfers.
(3) Represents the transfer of indirect costs to the general fund.

NOTE 6 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).

- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2007, is as follows:

Governmental Funds

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2007
BAN	School……………………	4.50%	12/08/06	$ 200,000	$ -	$ 200,000	$ -
BAN	Conservation…………….	4.00%	12/08/06	100,000	-	100,000	-
BAN	Lowell Junction…………	4.00%	12/08/06	1,100,000	-	1,100,000	-
BAN	Landfill closure…………	4.00%	12/08/06	250,000	-	250,000	-
BAN	School safety……………	4.00%	12/08/06	235,000	-	235,000	-
BAN	Land acquisition………..	4.00%	12/07/07	-	1,350,000	-	1,350,000
BAN	Main street………………	4.00%	12/07/07	-	30,000	-	30,000
BAN	Fire truck…………………	4.00%	12/07/07	-	440,000	-	440,000
BAN	Public safety……………	4.00%	12/07/07	-	80,000	-	80,000
BAN	School roof………………	4.00%	12/07/07	-	250,000	-	250,000
BAN	School remodeling………	4.00%	12/07/07	-	500,000	-	500,000
	Total Governmental………………………………			$ 1,885,000	$2,650,000	$ 1,885,000	$ 2,650,000

Enterprise Funds

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2007
BAN	Sewer project…………..	4.50%	12/08/06	$ 8,000,000	$ -	$ 8,000,000	$ -
BAN	Sewer project…………..	4.50%	12/08/06	1,250,000	-	1,250,000	-
BAN	Sewer project…………..	4.50%	12/08/06	1,000,000	-	1,000,000	-
BAN	Sewer project…………..	4.00%	12/07/07	-	3,998,000	-	3,998,000
BAN	Sewer project…………..	4.00%	12/07/07	-	1,250,000	-	1,250,000
BAN	Sewer project…………..	4.00%	12/07/07	-	500,000	-	500,000
BAN	Sewer project…………..	4.00%	12/07/07	-	500,000	-	500,000
	Total Sewer………………………………………..			10,250,000	6,248,000	10,250,000	6,248,000
BAN	Water treatment plant….	4.50%	12/10/05	2,472,000	-	2,472,000	-
BAN	Water treatment plant….	4.00%	12/08/06	500,000	-	500,000	-
BAN	MWPAT…………………	1.63%	12/31/06	823,018	-	823,018	-
BAN	Water treatment………..	4.00%	12/07/07	-	1,472,000	-	1,472,000
BAN	Water treatment………..	4.00%	12/07/07	-	500,000	-	500,000
BAN	Water pumping station…	4.00%	12/07/07	-	50,000	-	50,000
BAN	Water treatment plant….	4.00%	12/07/07	-	500,000	-	500,000
	Total Water………………………………………..			3,795,018	2,522,000	3,795,018	2,522,000
	Total Business-Type………………………………			$14,045,018	$8,770,000	$14,045,018	$ 8,770,000

NOTE 7 - LONG-TERM DEBT

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

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town's financial statements. At June 30, 2007, $19,380,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2007, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007	
Public safety……………….	2.00 - 5.00	$ 10,547,835	$ -	$ 926,718	$ 9,621,117	(1)
School projects……………	2.00 - 5.72	38,563,493	435,000	3,560,186	35,438,307	(1)
Public works……………….	2.85 - 5.24	898,000	1,608,000	318,000	2,188,000	(2)
Plant and facilities…………	3.50 - 5.00	3,034,000	-	543,000	2,491,000	(1)
Land acquisition…………..	3.61 - 5.23	3,830,000	1,200,000	455,000	4,575,000	(1)
Culture and recreation…….	4.48 - 4.89	209,638	-	30,937	178,701	(1)
Total Governmental bonds payable…………………………….		$ 57,082,966	$ 3,243,000	$ 5,833,841	$ 54,492,125	

(1) Debt issued to finance Town capital expenditures.
(2) Debt issued to finance Town capital expenditures with the exception of $500,000 for landfill closure.

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

Fiscal Year	Principal	Interest	Total
2008…………………….	$ 6,035,287	$ 1,967,462	$ 8,002,749
2009…………………….	5,976,421	1,760,332	7,736,753
2010…………………….	5,900,720	1,549,408	7,450,128
2011…………………….	4,649,696	1,354,996	6,004,692
2012…………………….	4,600,001	1,188,445	5,788,446
2013…………………….	3,825,000	1,039,027	4,864,027
2014…………………….	3,705,000	901,546	4,606,546
2015…………………….	3,624,999	764,187	4,389,186
2016…………………….	3,575,000	625,758	4,200,758
2017…………………….	2,620,001	500,871	3,120,872
2018…………………….	1,950,000	402,594	2,352,594
2019…………………….	1,945,000	316,397	2,261,397
2020…………………….	1,700,000	234,791	1,934,791
2021…………………….	1,480,000	162,277	1,642,277
2022…………………….	1,030,000	104,883	1,134,883
2023…………………….	775,000	64,132	839,132
2024…………………….	425,000	37,588	462,588
2025…………………….	375,000	77,047	452,047
2026…………………….	300,000	6,375	306,375
Totals……………………	$ 54,492,125	$ 13,058,114	$ 67,550,239

Bonds and Notes Payable Schedule – Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007	
Sewer projects………	3.90 - 5.00	$ 19,595,134	$ 5,002,000	$ 1,519,167	$ 23,077,967	(1)
Water projects……….	2.00 - 5.61	7,476,901	5,666,635	1,246,991	11,896,545	(1)
Total Enterprise bonds payable……..		$ 27,072,035	$ 10,668,635	$ 2,766,158	$ 34,974,512	

(1) Debt issued to finance Town capital expenditures.

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

Fiscal Year	Principal	Interest	Total
2008…….	$ 2,818,760	$ 1,285,766	$ 4,104,526
2009…….	2,799,460	1,159,683	3,959,143
2010…….	2,684,121	1,064,453	3,748,574
2011…….	2,119,184	978,511	3,097,695
2012…….	1,982,996	902,247	2,885,243
2013…….	1,882,198	829,769	2,711,967
2014…….	1,766,485	761,828	2,528,313
2015…….	1,770,858	695,665	2,466,523
2016…….	1,785,320	628,643	2,413,963
2017…….	1,789,872	559,951	2,349,823
2018…….	1,779,516	490,388	2,269,904
2019…….	1,789,254	420,492	2,209,746
2020…….	1,839,087	348,614	2,187,701
2021…….	1,844,018	274,211	2,118,229
2022…….	1,849,049	198,347	2,047,396
2023…….	1,434,181	131,776	1,565,957
2024…….	1,189,417	80,722	1,270,139
2025…….	694,759	49,649	744,408
2026…….	575,209	26,368	601,577
2027…….	580,768	8,808	589,576
Totals……	$ 34,974,512	$ 10,895,889	$ 45,870,401

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2007, approximately $1,895,000 of such assistance was received. Approximately $18,364,000 will be received in future fiscal years. Of this amount, approximately $2,318,000 represents reimbursement of long-term interest costs, and approximately $16,046,000 represents reimbursement of approved construction costs. Accordingly, a $16,046,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

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, 2007, the Town had the following authorized and unissued debt:

Purpose	Amount
Land aqcuisition……………………………	$ 4,750,000
Landfill……………………………………	2,200,000
Municipal buildings………………………	1,435,000
Public safety………………………………	1,020,000
Public works………………………………	923,500
School projects……………………………	6,110,000
Sewer projects……………………………	8,948,000
Water projects……………………………	3,305,365
Total…………………………………..	$ 28,691,865

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-Term Bonds and Notes……	$57,082,966	$ 3,243,000	$ (5,833,841)	$54,492,125	$6,035,287
Workers' Compensation…………	521,000	210,000	(46,000)	685,000	142,000
Compensated Absences…………	4,217,000	1,329,000	(1,057,000)	4,489,000	1,086,000
Landfill Closure……………………	4,370,000	1,690,000	(540,000)	5,520,000	-
Total governmental activity long-term liabilities………………	$66,190,966	$ 6,472,000	$ (7,476,841)	$65,186,125	$7,263,287
Business-Type Activities:					
Long-Term Bonds and Notes……	$27,072,035	$10,668,635	$ (2,766,158)	$34,974,512	$2,818,760
Compensated Absences…………	397,000	135,000	(126,000)	406,000	105,000
Total business-type activity long-term liabilities………………	$27,469,035	$10,803,635	$ (2,892,158)	$35,380,512	$2,923,760

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, internal service fund accrued liabilities for workers' compensation of $685,000 is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 8 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. In addition, the Town is self-insured for damages not covered by commercial insurance.

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

(a) Workers' Compensation

The Town participates in a Retrospective Rating Plan for which the Town employs a third party administrator. Workers' compensation claims are administered by the third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2007, the amount of the liability for workers' compensation claims totaled $685,000. Changes in the reported liability since July 1, 2005, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Due Within One Year
Fiscal Year 2006………….	$ 409,000	$ 191,036	$ (79,036)	$ 521,000	$ 138,000
Fiscal Year 2007………….	521,000	210,000	(46,000)	685,000	142,000

NOTE 9 - PENSION PLAN

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Andover Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately $8,722,000 for the fiscal year ended June 30, 2007, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

At December 31, 2006, the System's membership consists of the following:

Active members………………………………………………	771
Inactive members………………………………………………	97
Disabled members………………………………………………	39
Retirees and beneficiaries currently receiving benefits……………	327
Total………………………………………………………	1,234

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

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2007, 2006, and 2005 were $4,058,898, $3,908,863, and $3,545,005, respectively, which equaled its required contribution for each fiscal year. At June 30, 2007, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases of 4.75% per year. The actuarial value of the System's assets was determined using the actuarial value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2007, was 18 years. The System is scheduled to be fully funded by 2024 which is prior to the MGL requirement of full funding by fiscal 2028. The Town's funded rate was 78.1%.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/07	$ 99,953	$ 136,899	$ 36,946	73%	$ 30,468	121%
01/01/04	81,431	104,232	22,801	78%	27,551	83%
01/01/01	69,752	86,928	17,176	80%	24,596	70%
01/01/99	59,350	76,915	17,566	77%	21,631	81%
01/01/98	48,768	71,164	22,396	69%	20,700	108%
01/01/95	25,634	47,529	21,895	54%	14,390	152%

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

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1973. The Town has reflected $5,520,000 as the estimate of the landfill closure liability at June 30, 2007, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 – COMMITMENTS

The Town of Andover has contracted with Allied Waste (formerly BFI) for refuse collection and hauling and is in the fifth year of a five year contract. The fiscal year 2008 cost to the Town under the Allied contract is approximately $833,000.

The Town has contracted with Waste Management (WMI) for recycling collection and hauling and is in the fifth year of a five year contract. The fiscal year 2008 cost to the Town under the WMI contract is approximately $381,000.

The Town has entered into contracts totaling approximately $6.5 million to renovate the water treatment facility and has expended approximately $5.1 million to-date.

NOTE 12 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2007, 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30,2007.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

- The GASB issued Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

- The GASB issued Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Other Future GASB Pronouncements:

- The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* which is required to be implemented in fiscal year 2008. The standards in this statement currently do not apply and therefore will not impact the basic financial statements.

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

- The GASB issued Statement #50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27,* which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.

Required Supplementary Information

GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Amounts	Amounts Carried Forward To Next Year	Variance Over/(Under)
REVENUES:					
Real estate and personal property taxes					
net of tax refunds	$ 89,506,874	$ 89,506,873	$ 89,198,264	$ -	$ (308,609)
Tax liens	-	-	35,720	-	35,720
Motor vehicle and other excise taxes	5,000,000	5,000,000	4,563,040	-	(436,960)
Hotel/motel tax	713,000	713,000	976,350	-	263,350
Penalties and interest on taxes	279,000	279,000	314,296	-	35,296
Licenses and permits	2,166,000	2,166,000	1,862,982	-	(303,018)
Intergovernmental	11,016,868	11,024,621	11,430,769	-	406,148
Departmental and other	2,801,621	2,801,621	2,756,439	-	(45,182)
Investment income	870,000	870,000	1,474,892	-	604,892
TOTAL REVENUES	112,353,363	112,361,115	112,612,752	-	251,637
EXPENDITURES:					
Current:					
General government					
Personal Services	2,670,817	2,234,123	2,229,896	4,227	-
Other expenses	2,474,319	1,287,261	1,185,222	92,317	9,722
Total	5,145,136	3,521,384	3,415,118	96,544	9,722
Public safety					
Personal Services	11,255,701	12,439,827	11,259,845	1,179,982	-
Other expenses	1,241,702	1,272,555	1,086,037	128,674	57,844
Total	12,497,403	13,712,382	12,345,882	1,308,656	57,844
Education					
Personal Services	42,983,322	42,888,377	42,888,377	-	-
Other expenses	12,780,256	12,886,728	12,511,362	371,728	3,638
Total	55,763,578	55,775,105	55,399,739	371,728	3,638
Public works					
Personal Services	1,518,043	1,675,084	1,675,084	-	-
Other expenses	4,149,148	4,149,148	3,572,852	565,965	10,331
Total	5,667,191	5,824,232	5,247,936	565,965	10,331
Plant and facilities					
Personal Services	2,903,595	3,003,595	2,992,202	11,393	-
Other expenses	1,584,763	1,684,770	1,412,053	272,717	-
Total	4,488,358	4,688,365	4,404,255	284,110	-
Community development					
Personal Services	1,343,585	1,373,585	1,368,410	5,175	-
Other expenses	127,839	145,305	126,757	89	18,459
Total	1,471,424	1,518,890	1,495,167	5,264	18,459
Community services					
Personal Services	1,241,930	1,251,930	1,222,117	29,813	-
Other expenses	433,001	447,192	425,788	19,053	2,351
Total	1,674,931	1,699,122	1,647,905	48,866	2,351
Library					
Personal Services	1,962,358	2,002,358	1,992,601	9,757	-

GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Amounts	Amounts Carried Forward To Next Year	Variance Over/(Under)
Other expenses	583,817	583,817	581,949	1,837	31
Total	2,546,175	2,586,175	2,574,550	11,594	31
					(Continued)
Pension benefits	4,111,283	4,111,283	4,111,283	-	-
Property and liability insurance	803,300	903,300	805,315	-	97,985
Employee benefits	9,606,000	9,956,000	9,956,000	-	-
State and county charges	2,501,545	2,501,545	2,514,120	-	(12,575)
Debt service:					
Principal	5,763,841	5,833,841	5,833,841	-	-
Interest	3,183,428	3,113,428	2,878,856	2,000	232,572
TOTAL EXPENDITURES	115,223,593	115,745,052	112,629,967	2,694,727	420,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,870,230)	(3,383,937)	(17,215)	(2,694,727)	671,995
OTHER FINANCING SOURCES (USES):					
Transfers in	2,457,662	2,457,662	2,257,907	-	(199,755)
Transfers out	(2,058,135)	(4,375,135)	(4,375,135)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	399,527	(1,917,473)	(2,117,228)	-	(199,755)
NET CHANGE IN FUND BALANCES	(2,470,703)	(5,301,410)	(2,134,443)	(2,694,727)	472,240
FUND BALANCES AT BEGINNING OF YEAR	9,380,673	9,380,673	9,380,673	-	-
FUND BALANCES AT END OF YEAR	$ 6,909,970	$ 4,079,263	$ 7,246,230	$ (2,694,727)	$ 472,240

(Concluded)

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2007 approved budget authorized approximately $117,282,000 in appropriations and other amounts to be raised. During fiscal year 2007, the Board also approved supplemental appropriations totaling approximately $2,838,000.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2007, is presented below:

Net change in fund balance - budgetary basis……………………	$ (2,134,443)
Basis of accounting differences:	
Net change in recoding tax refunds payable……………………	98,258
Net change in liabilities………………………………………………	(69,133)
Net change in recording short-term interest accrual……………	(41,188)
Recognition of revenue for on-behalf payments…………………	8,722,000
Recognition of expenditures for on-behalf payments……………	(8,722,000)
Net change in fund balance - GAAP basis………………………	$ (2,146,506)

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2007, state and county charges exceeded appropriations. These charges are controlled by the state and do not need to be raised on the subsequent years' tax recapitulation.

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Funds

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

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

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

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

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

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

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

Permanent Funds

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

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

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

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

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

	Special Revenue Funds		
ASSETS	School Grants/ Other Revolving	School Lunch	Subtotal
Cash and cash equivalents…………………………………	$ 1,296,549	$ 38,466	$ 1,335,015
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable…………………………………………	$ 9,736	$ 3,929	$ 13,665
Accrued payroll……………………………………………	73,553	-	73,553
Notes payable………………………………………………	-	-	-
TOTAL LIABILITIES…………………………………………	83,289	3,929	87,218
FUND BALANCES:			
Unreserved:			
Undesignated, reported in:			
Special revenue funds……………………………	1,213,260	34,537	1,247,797
Capital projects funds……………………………	-	-	-
Permanent funds…………………………………	-	-	-
TOTAL FUND BALANCES………………………………	1,213,260	34,537	1,247,797
TOTAL LIABILITIES AND FUND BALANCES……………	$ 1,296,549	$ 38,466	$ 1,335,015

Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Public Safety	Other	Subtotal
Capital Project Funds						
$ 2,198,486	$ 777,003	$ 97,111	$ 487,420	$ 59,849	$ 1,763,907	$ 5,383,776
$ 37,109	$ 417,651	$ 17,500	$ 18,147	$ 31,574	$ 277,801	$ 799,782
-	-	-	-	-	-	-
1,350,000	750,000	-	-	520,000	30,000	2,650,000
1,387,109	1,167,651	17,500	18,147	551,574	307,801	3,449,782
-	-	-	-	-	-	-
811,377	(390,648)	79,611	469,273	(491,725)	1,456,106	1,933,994
-	-	-	-	-	-	-
811,377	(390,648)	79,611	469,273	(491,725)	1,456,106	1,933,994
$ 2,198,486	$ 777,003	$ 97,111	$ 487,420	$ 59,849	$ 1,763,907	$ 5,383,776

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

	Permanent Funds				
ASSETS	Cemetery	Library	Town Welfare/ Other	Subtotal	Total Nonmajor Governmental Funds
Cash and cash equivalents……………………….	$ 978,473	$ 64,229	$ 654,911	$ 1,697,613	$ 8,416,404
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable………………………………	$ -	$ -	$ 1,487	$ 1,487	$ 814,934
Accrued payroll…………………………………	-	-	-	-	73,553
Notes payable……………………………………	-	-	-	-	2,650,000
TOTAL LIABILITIES………………………………	-	-	1,487	1,487	3,538,487
FUND BALANCES:					
Unreserved:					
Undesignated, reported in:					
Special revenue funds…………………	-	-	-	-	1,247,797
Capital projects funds…………………	-	-	-	-	1,933,994
Permanent funds………………………	978,473	64,229	653,424	1,696,126	1,696,126
TOTAL FUND BALANCES………………………	978,473	64,229	653,424	1,696,126	4,877,917
TOTAL LIABILITIES AND FUND BALANCES..	$ 978,473	$ 64,229	$ 654,911	$ 1,697,613	$ 8,416,404

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds		
	School Grants/ Other Revolving	School Lunch	Subtotal
REVENUES:			
Intergovernmental	$ 3,319,588	$ 206,424	$ 3,526,012
Departmental and other	2,045,500	1,242,546	3,288,046
Contributions	-	-	-
Investment income	-	-	-
TOTAL REVENUES	5,365,088	1,448,970	6,814,058
EXPENDITURES:			
Current:			
Education	5,073,884	1,650,307	6,724,191
Public works	-	-	-
Human services	-	-	-
Library	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	5,073,884	1,650,307	6,724,191
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	291,204	(201,337)	89,867
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds and notes	-	-	-
Transfers in	-	-	-
Transfers out	(1,569)	-	(1,569)
TOTAL OTHER FINANCING SOURCES (USES)	(1,569)	-	(1,569)
NET CHANGE IN FUND BALANCES	289,635	(201,337)	88,298
FUND BALANCES AT BEGINNING OF YEAR	923,625	235,874	1,159,499
FUND BALANCES AT END OF YEAR	$ 1,213,260	$ 34,537	$ 1,247,797

Capital Project Funds						
Road/ Drainage Projects	School Projects	Conservation	Municipal Buildings	Public Safety	Other	Subtotal
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,006,014	1,317,982	32,315	338,876	498,564	2,016,338	5,210,089
1,006,014	1,317,982	32,315	338,876	498,564	2,016,338	5,210,089
(1,006,014)	(1,317,982)	(32,315)	(338,876)	(498,564)	(2,016,338)	(5,210,089)
1,108,000	435,000	1,200,000	-	-	500,000	3,243,000
82,938	80,024	-	-	-	2,058,135	2,221,097
(64,369)	(2,771)	-	-	-	-	(67,140)
1,126,569	512,253	1,200,000	-	-	2,558,135	5,396,957
120,555	(805,729)	1,167,685	(338,876)	(498,564)	541,797	186,868
690,822	415,081	(1,088,074)	808,149	6,839	914,309	1,747,126
$ 811,377	$ (390,648)	$ 79,611	$ 469,273	$ (491,725)	$ 1,456,106	$ 1,933,994

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	Permanent Funds				
	Cemetery	Library	Town Welfare/ Other	Subtotal	Total Nonmajor Governmental Funds
REVENUES:					
Intergovernmental	$ -	$ -	$ -	$ -	$ 3,526,012
Departmental and other	-	-	-	-	3,288,046
Contributions	17,420	-	-	17,420	17,420
Investment income	46,694	2,586	27,178	76,458	76,458
TOTAL REVENUES	64,114	2,586	27,178	93,878	6,907,936
EXPENDITURES:					
Current:					
Education	14	-	-	14	6,724,205
Public works	1,500	-	-	1,500	1,500
Human services	-	-	1,748	1,748	1,748
Library	15	-	1,317	1,332	1,332
Capital outlay	-	-	-	-	5,210,089
TOTAL EXPENDITURES	1,529	-	3,065	4,594	11,938,874
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	62,585	2,586	24,113	89,284	(5,030,938)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes	-	-	-	-	3,243,000
Transfers in	-	-	-	-	2,221,097
Transfers out	(25,000)	-	-	(25,000)	(93,709)
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-	-	(25,000)	5,370,388
NET CHANGE IN FUND BALANCES	37,585	2,586	24,113	64,284	339,450
FUND BALANCES AT BEGINNING OF YEAR	940,888	61,643	629,311	1,631,842	4,538,467
FUND BALANCES AT END OF YEAR	$ 978,473	$ 64,229	$ 653,424	$ 1,696,126	$ 4,877,917

(Concluded)

Internal Service Funds

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

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

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

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

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
ASSETS					
CURRENT:					
Cash and cash equivalents..	$ 241,808	$ 135,850	$ 477,627	$ 141,308	$ 996,593
LIABILITIES					
CURRENT:					
Warrants payable……………	-	-	1,948	-	1,948
Workers' compensation…….	-	-	-	142,000	142,000
Total current liabilities.	-	-	1,948	142,000	143,948
NONCURRENT:					
Workers' compensation…….	-	-	-	543,000	543,000
TOTAL LIABILITIES…………..	-	-	1,948	685,000	686,948
NET ASSETS					
Unrestricted……………………..	$ 241,808	$ 135,850	$ 475,679	$ (543,692)	$ 309,645

See notes to basic financial statements.

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
OPERATING REVENUES:					
Employee contributions	$ -	$ -	$ 3,663,676	$ -	$ 3,663,676
Employer contributions	42,368	100,000	9,891,258	100,000	10,133,626
TOTAL OPERATING REVENUES	42,368	100,000	13,554,934	100,000	13,797,302
OPERATING EXPENSES:					
Employee benefits................................	-	90,470	13,360,267	210,431	13,661,168
Insurance..	42,368	-	-	-	42,368
TOTAL OPERATING EXPENSES	42,368	90,470	13,360,267	210,431	13,703,536
OPERATING INCOME (LOSS)............	-	9,530	194,667	(110,431)	93,766
NONOPERATING REVENUES (EXPENSES):					
Investment income................................	12,748	4,564	34,033	-	51,345
CHANGE IN NET ASSETS.................	12,748	14,094	228,700	(110,431)	145,111
NET ASSETS AT BEGINNING OF YEAR.......	229,060	121,756	246,979	(433,261)	164,534
NET ASSETS AT END OF YEAR.................	$ 241,808	$ 135,850	$ 475,679	$ (543,692)	$ 309,645

See notes to basic financial statements.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Insurance	Unemployment Compensation	Health Insurance	Worker's Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ -	$ -	$ 3,663,676	$ -	$ 3,663,676
Receipts from interfund services provided	42,368	100,000	9,891,258	100,000	10,133,626
Payments to employees	-	-	(60,936)	-	(60,936)
Payments for interfund services used	(42,368)	(90,470)	(13,111,783)	(46,431)	(13,291,052)
NET CASH FROM OPERATING ACTIVITIES	-	9,530	382,215	53,569	445,314
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	12,748	4,564	34,033	-	51,345
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	12,748	14,094	416,248	53,569	496,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	229,060	121,756	61,379	87,739	499,934
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 241,808	$ 135,850	$ 477,627	$ 141,308	$ 996,593
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss)	$ -	$ 9,530	$ 194,667	$ (110,431)	$ 93,766
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Working capital deposit	-	-	185,600	-	185,600
Warrants payable	-	-	1,948	-	1,948
Workers' compensation	-	-	-	164,000	164,000
Total adjustments	-	-	187,548	164,000	351,548
NET CASH FROM OPERATING ACTIVITIES	$ -	$ 9,530	$ 382,215	$ 53,569	$ 445,314

See notes to basic financial statements.

Agency Fund

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

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2007

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
Cash and cash equivalents................	$ 252,940	$ 288,298	$ (200,000)	$ 341,238
Investments....................................	15,685	-	(15,685)	-
TOTAL ASSETS..................................	$ 268,625	$ 288,298	$ (215,685)	$ 341,238
LIABILITIES				
Guarantee deposits..........................	$ 51,423	$ 683	$ -	$ 52,106
Other deposits................................	11,211	475	-	11,686
Merrimack Valley Library Consortium....	205,991	271,455	(200,000)	277,446
TOTAL LIABILITIES............................	$ 268,625	$ 272,613	$ (200,000)	$ 341,238

Statistical Section

World War II Memorial

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets By Component

Last Five Fiscal Years

	Fiscal Year 2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	$ 73,686,298	$ 89,679,889	$ 91,145,822	$ 89,148,470	$ 91,189,027
Restricted	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472
Unrestricted	10,133,275	12,351,114	9,873,633	12,307,988	10,474,688
Total governmental activities net assets	$ 89,039,534	$ 105,669,033	$ 105,445,842	$ 105,488,487	$ 106,274,187
Business-type activities					
Invested in capital assets, net of related debt	43,348,130	46,387,305	46,027,798	44,383,954	45,396,161
Unrestricted	12,903,877	10,528,648	13,264,116	15,604,638	14,824,192
Total business-type activities net assets	$ 56,252,007	$ 56,915,953	$ 59,291,914	$ 59,988,592	$ 60,220,353
Primary government					
Invested in capital assets, net of related debt	117,034,428	136,067,194	137,173,620	133,802,424	136,585,188
Restricted	5,219,961	3,638,030	4,426,387	4,032,029	4,610,472
Unrestricted	23,037,152	22,879,762	23,137,749	27,912,626	25,298,880
Total primary government net assets	$ 145,291,541	$ 162,584,986	$ 164,737,756	$ 165,747,079	$ 166,494,540

Changes in Net Assets

Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	$ 4,216,224	$ 4,598,138	$ 4,350,415	$ 4,450,036	$ 4,958,016
Plant and facilities	6,298,425	6,595,195	5,663,229	5,971,059	6,312,238
Community development	1,654,816	1,786,677	1,766,512	1,920,879	2,177,757
Public safety	16,426,508	16,675,121	17,246,901	17,782,178	17,692,134
Education	65,118,057	67,227,226	72,624,199	79,034,278	85,198,802
Public works	8,434,701	7,768,193	9,038,654	7,405,556	9,257,382
Community services	2,867,018	2,797,537	2,806,626	2,833,581	3,082,209
Library	3,125,588	3,447,297	3,326,096	3,433,876	3,748,315
Interest	3,228,511	2,953,651	3,028,040	2,569,615	3,079,688
Total government activities expenses	111,369,848	113,849,035	119,850,672	125,401,058	135,506,541
Business-type activities:					
Water	4,938,649	5,180,484	5,279,568	5,522,811	5,837,589
Sewer	2,850,949	3,114,483	3,418,402	3,920,303	3,698,176
Total primary government expenses	$ 119,159,446	$ 122,144,002	$ 128,548,642	$ 134,844,172	$ 145,042,306
Program Revenues					
Governmental activities:					
Public safety charges for services	$ 3,307,838	$ 3,601,991	$ 5,047,096	$ 4,173,141	$ 3,880,398
Education charges for services	2,435,502	2,631,861	3,221,619	3,303,391	3,556,254
Other charges for services	1,969,503	2,232,896	2,217,961	2,459,937	2,757,509
Education operating grants and contributions	13,649,175	14,287,070	16,723,671	16,421,600	18,485,493
Other operating grants and contributions	2,124,490	1,701,550	1,592,768	2,054,108	2,386,728
Public safety capital grant and contributions	-	17,800,725	211,662	63,731	12,105
Public works capital grant and contributions	674,243	1,022,245	601,504	826,869	2,579,033
Total government activities program revenues	24,160,751	43,278,338	29,616,281	29,302,777	33,657,520
Business-type activities:					
Sewer charges for services	2,839,609	3,125,887	3,287,453	3,200,763	3,900,287
Water charges for services	6,146,648	5,466,703	5,948,163	6,135,750	6,026,114
Other capital grant and contributions	3,740,314	1,436,501	3,270,890	2,706,471	1,838,804
Total business-type activities program revenues	12,726,571	10,029,091	12,506,506	12,042,984	11,765,205
Total primary government program revenues	$ 36,887,322	$ 53,307,429	$ 42,122,787	$ 41,345,761	$ 45,422,725
Net (Expense)/Program Revenue					
Governmental activities	$ (87,209,097)	$ (70,570,697)	$ (90,234,391)	$ (96,098,281)	$ (101,849,021)
Business-type activities	4,936,973	1,734,124	3,808,536	2,599,870	2,229,440
Total primary government net (expense)/program revenue	$ (82,272,124)	$ (68,836,573)	$ (86,425,855)	$ (93,498,411)	$ (99,619,581)
General Revenues and other Changes in Net Assets					
Governmental activities:					
Real estate and personal property taxes, net of tax refunds payable	$ 74,916,769	$ 78,018,623	$ 80,128,940	$ 85,467,543	$ 89,517,870
Tax liens	217,181	156,432	169,769	137,894	160,701
Motor vehicle excise taxes	4,761,307	4,449,959	4,695,077	4,737,214	4,665,464
Hotel/motel tax	862,883	709,595	777,164	702,732	1,040,438
Penalties and interest on taxes	721,105	265,747	335,008	279,901	314,296
Grants and contributions not restricted to specific programs	1,845,728	1,704,378	1,857,933	2,016,691	2,558,873
Unrestricted investment income	368,581	369,542	493,590	955,407	1,603,144
Miscellaneous	267,683	400,871	75,167	53,440	344,265
Transfers	1,189,862	1,125,049	1,478,552	2,060,104	2,159,670
Total governmental activities	85,151,099	87,200,196	90,011,200	96,410,926	102,364,721
Business-type activities:					
Unrestricted investment income	99,828	54,871	45,977	156,912	161,991
Transfers	(1,189,862)	(1,125,049)	(1,478,552)	(2,060,104)	(2,159,670)
Total primary government general revenues and other changes in net assets	$ 84,061,065	$ 86,130,018	$ 88,578,625	$ 94,507,734	$ 100,367,042
Changes in Net Assets					
Governmental activities	$ (2,057,998)	$ 16,629,499	$ (223,191)	$ 312,645	$ 515,700
Business-type activities	3,846,939	663,946	2,375,961	696,678	231,761
Total primary government changes in net assets	$ 1,788,941	$ 17,293,445	$ 2,152,770	$ 1,009,323	$ 747,461

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved………………………………	$ 2,383,540	$ 2,633,488	$ 2,442,090	$ 2,216,572	$ 3,151,400	$ 2,914,009	$ 2,278,232	$ 1,436,861	$ 1,860,571	$ 2,694,727
Unreserved…………………..……………	8,311,606	8,211,845	9,315,244	9,901,651	10,309,240	10,891,580	8,500,140	7,747,231	7,529,898	4,549,236
Total general fund………………………	$ 10,695,146	$ 10,845,333	$ 11,757,334	$ 12,118,223	$ 13,460,640	$ 13,805,589	$ 10,778,372	$ 9,184,092	$ 9,390,469	$ 7,243,963
All Other Governmental Funds										
Reserved………………………………	$ -	$ -	$ -	$ -	$ -	$ 700,821	$ 692,942	$ 1,246,997	$ 1,268,238	$ 1,261,498
Unreserved, reported in:										
Special revenue funds………….	1,045,265	1,058,654	1,696,011	1,856,036	2,131,629	4,519,551	5,415,564	5,864,877	6,171,737	9,068,114
Capital projects funds…………..	1,212,752	9,780,296	9,648,929	7,829,724	(10,724,512)	5,978,934	3,636,212	3,519,167	1,747,126	1,933,994
Permanent funds……………….	-	-	-	-	-	463,273	413,250	210,462	363,604	434,628
Total all other governmental funds……..	$ 2,258,017	$ 10,838,950	$ 11,344,940	$ 9,685,760	$ (8,592,883)	$ 11,662,579	$ 10,157,968	$ 10,841,503	$ 9,550,705	$ 12,698,234

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

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Real estate and personal property taxes, net of tax refunds	$ 54,322,655	$ 57,536,860	$ 61,312,434	$ 63,880,049	$ 69,135,669	$ 74,726,196	$ 77,761,654	$ 80,108,798	$ 85,233,515	$ 89,296,522
Motor vehicle and other excise taxes	4,737,031	4,491,905	4,739,915	5,435,383	5,419,022	5,429,993	5,074,722	5,430,809	5,714,365	4,563,040
Intergovernmental	10,239,788	10,974,118	16,872,914	18,576,239	18,664,283	19,337,587	19,645,202	36,257,799	26,111,912	25,535,077
Departmental and other	5,707,816	6,517,786	6,155,666	7,441,550	7,201,620	9,156,513	9,358,532	11,228,315	10,075,153	12,333,309
Interest income	855,975	943,410	1,126,103	1,473,335	1,126,066	403,057	466,366	437,745	931,895	1,660,138
Total Revenue	75,863,265	80,464,079	90,207,032	96,806,556	101,546,660	109,053,346	112,306,476	133,463,466	128,066,840	133,388,086
Expenditures:										
General government	2,629,887	2,256,257	2,591,165	2,957,168	2,600,064	3,096,437	3,433,588	3,311,006	3,276,951	3,596,151
Plant and facilities	4,061,623	4,943,928	4,983,004	5,772,848	5,826,345	5,608,033	5,869,539	4,608,092	4,222,181	4,431,588
Community development	1,145,463	1,133,077	1,098,615	1,347,435	1,331,536	1,357,957	1,475,760	1,419,416	1,492,217	1,624,361
Public safety	10,095,964	9,719,895	10,790,875	11,737,349	12,033,824	13,128,148	13,515,766	13,597,144	13,682,564	13,571,517
Education	33,239,888	36,097,112	39,102,141	42,421,926	46,399,812	51,048,622	51,455,597	54,347,628	58,172,138	62,124,609
Public works	4,401,181	5,975,977	4,877,578	6,735,312	5,426,850	6,280,433	6,966,509	6,856,259	4,812,153	6,582,339
Community services	1,535,125	1,756,881	1,830,790	2,118,012	2,162,665	2,261,837	2,305,595	2,186,935	2,258,001	2,525,592
Library	2,076,086	1,991,490	1,984,867	2,464,018	2,477,328	2,328,796	2,553,941	2,431,694	2,547,324	2,674,266
Pension benefits	2,770,950	3,051,170	8,275,761	8,686,244	8,522,848	8,854,044	9,537,132	10,594,568	11,774,280	12,896,971
Property and liability insurance	498,265	496,049	593,513	527,958	541,800	504,963	795,879	834,889	744,326	762,947
Employee benefits	3,659,596	3,625,000	3,589,016	3,735,311	4,229,172	6,139,400	7,625,000	8,732,646	9,901,817	10,521,298
State and county charges	1,015,466	982,643	980,904	1,094,215	1,227,461	1,363,260	1,370,609	1,599,527	1,982,311	2,514,120
Capital outlay	10,140,588	5,455,156	5,848,367	13,039,205	38,702,914	9,373,665	6,059,724	5,275,759	6,707,917	5,210,089
Debt service:										
Principal	3,851,900	3,909,900	4,459,800	4,006,500	4,627,000	5,188,000	5,728,420	20,744,107	9,436,934	5,833,841
Interest	2,523,900	2,578,026	2,464,463	2,623,005	2,955,606	3,346,096	2,987,294	2,957,220	2,408,251	2,920,044
Total Expenditures	83,645,882	83,972,561	93,470,859	109,266,506	139,065,225	119,879,691	121,680,353	139,496,890	133,419,365	137,789,733
Excess of revenues over (under) expenditures	(7,782,617)	(3,508,482)	(3,263,827)	(12,459,950)	(37,518,565)	(10,826,345)	(9,373,877)	(6,033,424)	(5,352,525)	(4,401,647)
Other Financing Sources (Uses)										
Issuance of bonds and notes	4,200,000	11,230,000	4,375,000	9,675,000	19,208,000	28,938,000	3,717,000	3,500,000	2,208,000	3,243,000
Issuance of refunding bonds	-	-	-	-	-	13,496,223	-	7,140,205	-	
Premium from issuance of bonds	-	-	-	-	-	599,313	-	79,123	-	
Premium of issuance of refunding bonds	-	-	-	-	-	220,554	-	158,596	-	
Payments to refunded bond escrow agent	-	-	-	-	-	(13,583,218)	-	(7,233,797)	-	
Transfers in	2,512,610	3,967,559	2,618,378	3,268,235	2,559,956	3,588,523	2,011,841	4,131,313	6,794,187	6,779,004
Transfers out	(1,545,425)	(2,957,957)	(2,311,560)	(1,781,576)	(1,185,620)	(2,398,661)	(886,792)	(2,652,761)	(4,734,083)	(4,619,334)
Total other financing sources (uses)	5,167,185	12,239,602	4,681,818	11,161,659	20,582,336	30,860,734	4,842,049	5,122,679	4,268,104	5,402,670
Net change in fund balance	$ (2,615,432)	$ 8,731,120	$ 1,417,991	$ (1,298,291)	$ (16,936,229)	$ 20,034,389	$ (4,531,828)	$ (910,745)	$ (1,084,421)	$ 1,001,023
Debt service as a percentage of noncapital expenditures	8.67%	8.26%	7.90%	6.89%	7.56%	7.72%	7.54%	7.27%	6.46% (a)	6.60%

Notes:

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

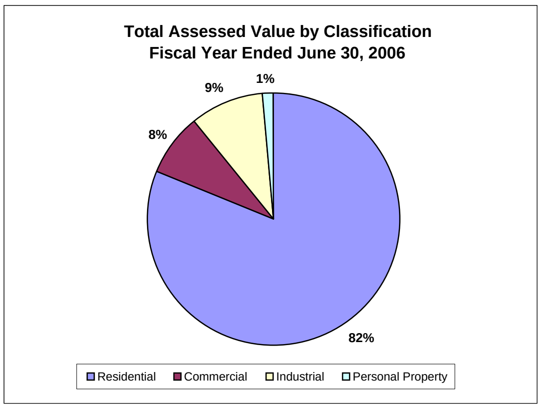
In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

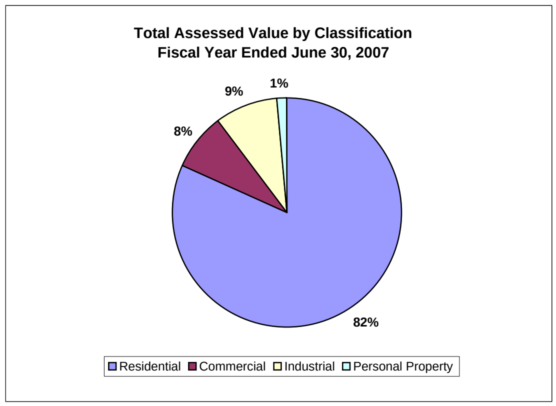
(a) - The FY05 and FY06 %'s have been adjusted to eliminate the effect of state school construction capital grants totaling $15 million and $3.8 million, respectively to pay down $18.8 million in debt for both years.

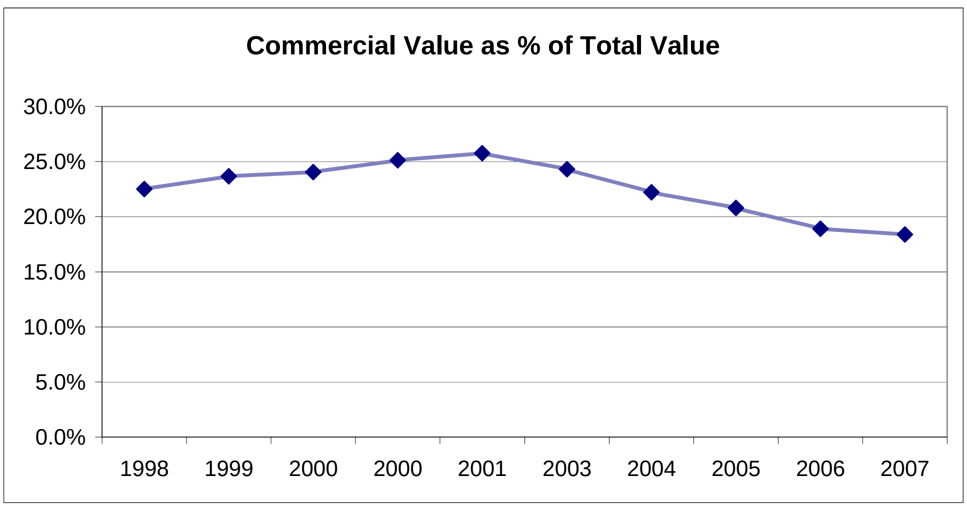
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

Last Ten Fiscal Years

Fiscal Year		Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Town Value
		Assessed and Actual Values and Tax Rates							
1998	(1)	$ 2,445,616,947	$ 15.82	$ 307,371,500	$ 338,097,400	$ 65,035,210	$ 710,504,110	$ 22.90	$ 3,156,121,057
1999		$ 2,651,239,012	$ 15.17	$ 377,843,715	$ 376,258,800	$ 67,487,130	$ 821,589,645	$ 21.74	$ 3,472,828,657
2000		$ 2,937,428,052	$ 14.65	$ 421,300,980	$ 434,895,300	$ 73,976,860	$ 930,173,140	$ 20.11	$ 3,867,601,192
2001	(1)	$ 2,975,444,502	$ 14.92	$ 440,880,123	$ 471,708,200	$ 84,876,150	$ 997,464,473	$ 20.59	$ 3,972,908,975
2002		$ 3,337,867,183	$ 14.13	$ 515,652,738	$ 549,008,500	$ 93,565,960	$ 1,158,227,198	$ 19.57	$ 4,496,094,381
2003		$ 4,476,720,701	$ 11.63	$ 641,178,403	$ 685,192,600	$ 110,559,980	$ 1,436,930,983	$ 16.54	$ 5,913,651,684
2004	(1)	$ 4,755,952,886	$ 11.47	$ 586,983,115	$ 663,066,600	$ 107,565,301	$ 1,357,615,016	$ 18.13	$ 6,113,567,902
2005		$ 5,029,579,646	$ 11.51	$ 575,889,705	$ 635,749,200	$ 109,324,908	$ 1,320,963,813	$ 18.00	$ 6,350,543,459
2006	(1)	$ 5,519,162,801	$ 11.40	$ 556,557,746	$ 635,623,100	$ 94,200,625	$ 1,286,381,471	$ 17.95	$ 6,805,544,272
2007		$ 5,868,699,641	$ 11.25	$ 582,821,925	$ 640,188,000	$ 99,325,718	$ 1,322,335,643	$ 18.33	$ 7,191,035,284







(1) Revaluation year.
Source: Assessor's Department, Town of Andover
All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers

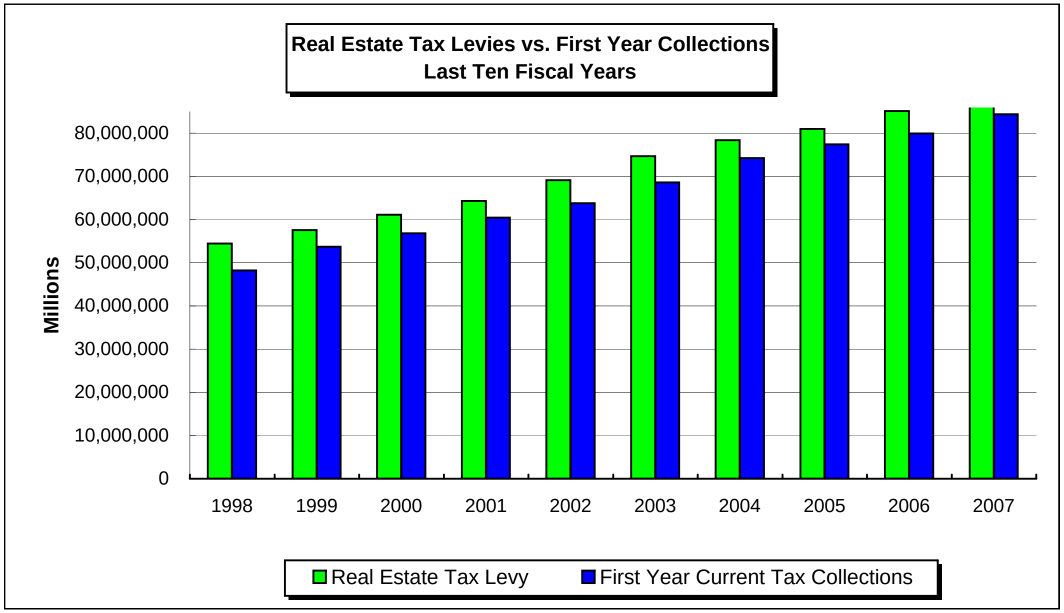
Current Year and Nine Years Ago

Name	Nature of Business	2007 Assessed Valuation	2007 Rank	2007 Percentage of Total Taxable Assessed Value	1998 Assessed Valuation	1998 Rank	1998 Percentage of Total Taxable Assessed Value
Wyeth (Genetics Institute)	Industrial	$ 93,282,800	1	1.30%	$ 27,235,900	4	0.86%
Transwestern Brickstone Square LLC (Andover Mills)	Office	$ 73,048,400	2	1.02%	$ 59,475,000	1	1.88%
CA Investment Trust	Industrial	$ 65,162,600	3	0.91%	$ 21,194,500	8	0.67%
Philips Electro North American (Agilent) (Hewlett Packard)	Industrial	$ 58,163,700	4	0.81%	$ -	3	-
RREEF America REIT III Corp ZI	Residential/Commercial	$ 52,284,900	5	0.73%	$ -		-
Eisai Research Institute	Office/Industrial	$ 40,957,000	6	0.57%	$ -		-
One Hundred Minuteman LLC	Industrial	$ 39,197,600	7	0.55%	$ -		-
Lincoln Park LLC (Putnam Investments)	Commercial	$ 36,316,500	8	0.51%	$ 24,283,800	6	0.77%
Gillette Company	Industrial	$ 34,993,200	9	0.49%	$ 24,361,700	5	0.77%
Raytheon	Industrial	$ 33,864,000	10	0.47%	$ 49,107,100	2	1.56%
Hewlett Packard Company	Industrial	$ -		-	$ 39,164,900	3	1.24%
Interstate/CGL Partners	Commercial	$ -		-	$ 16,696,570	10	0.53%
New England Telephone and Telegraph	Utility	$ -		-	$ 20,138,300	9	0.64%
Massachusetts Electric Company	Utility	$ -		-	$ 21,596,340	7	0.68%
	Totals	$527,270,700		7.33%	$303,254,110		9.61%

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1998		$ 54,960,204	$ 515,184	$ 54,445,020	$ 53,733,126	98.69%	$ 702,539	$ 54,435,665	99.98%
1999		$ 58,081,474	$ 480,809	$ 57,600,665	$ 56,806,965	98.62%	$ 794,015	$ 57,600,980	100.00%
2000	(1)	$ 61,739,103	$ 565,027	$ 61,174,076	$ 60,478,995	98.86%	$ 695,185	$ 61,174,180	100.00%
2001		$ 64,931,425	$ 612,404	$ 64,319,021	$ 63,769,348	99.15%	$ 544,039	$ 64,313,387	99.99%
2002		$ 69,830,570	$ 660,007	$ 69,170,563	$ 68,631,635	99.22%	$ 509,729	$ 69,141,364	99.96%
2003	(1)	$ 75,831,100	$ 1,148,137	$ 74,682,963	$ 74,224,742	99.39%	$ 359,678	$ 74,584,420	99.87%
2004		$ 79,164,340	$ 770,110	$ 78,394,230	$ 77,461,156	98.81%	$ 208,870	$ 77,670,026	99.08%
2005		$ 81,667,810	$ 700,105	$ 80,967,705	$ 79,932,648	98.72%	$ 757,282	$ 80,689,930	99.66%
2006	(1)	$ 86,009,003	$ 854,113	$ 85,154,890	$ 84,431,577	99.15%	$ 705,760	$ 85,137,337	99.98%
2007		$ 90,261,283	$ 754,410	$ 89,506,873	$ 88,153,719	98.49%	$ -	$ 88,153,719	98.49%



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

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Governmental Activities: Per Capita	Governmental Activities: Percentage of Personal Income	Governmental Activities: Percentage of Assessed Value
1998	30,226	$ 1,194,051,930	$ 3,156,121,057	$ 42,461,200	$ -	$ 1,423	3.56%	1.35%
1999	29,846	$ 1,203,102,408	$ 3,472,828,657	$ 46,901,300	$ -	$ 1,552	3.90%	1.35%
2000	30,251	$ 1,244,314,383	$ 3,867,601,192	$ 46,226,500	$ -	$ 1,549	3.72%	1.20%
2001	30,251	$ 1,269,200,671	$ 3,972,908,975	$ 53,150,000	$ -	$ 1,757	4.19%	1.34%
2002	30,695	$ 1,313,585,563	$ 4,496,094,381	$ 58,421,000	$ -	$ 1,931	4.45%	1.30%
2003	29,994	$ 1,309,258,156	$ 5,913,651,684	$ 83,483,223	$ -	$ 2,720	6.38%	1.41%
2004	29,843	$ 1,328,720,243	$ 6,113,567,902	$ 81,471,803	$ -	$ 2,716	6.13%	1.33%
2005	29,843	$ 1,399,664,278	$ 6,350,543,459	$ 64,311,901	$ -	$ 2,155	4.59%	1.01%
2006	30,820	$ 1,376,927,175	$ 6,805,544,272	$ 57,082,966	$ -	$ 1,913	4.15%	0.84%
2007	30,820	$ 1,404,465,719	$ 7,191,035,284	$ 54,492,125	$ -	$ 1,768	3.88%	0.76%

Fiscal Year	Business-type Activities (1): General Obligation Bonds	Business-type Activities (1): Capital Leases	Total Primary Government: Total Debt Outstanding	Total Primary Government: Per Capita	Total Primary Government: Percentage of Personal Income	Total Primary Government: Percentage of Assessed Value
1998	$16,223,800	$ -	$58,685,000	$1,942	4.91%	1.86%
1999	$17,788,700	$ -	$64,690,000	$2,167	5.38%	1.86%
2000	$16,818,500	$ -	$63,045,000	$2,084	5.07%	1.63%
2001	$14,315,000	$ -	$67,465,000	$2,230	5.32%	1.70%
2002	$21,142,000	$ -	$79,563,000	$2,592	6.06%	1.77%
2003	$23,514,777	$ -	$106,998,000	$3,567	8.17%	1.81%
2004	$30,141,198	$ -	$111,613,001	$3,740	8.40%	1.83%
2005	$29,851,101	$ -	$94,163,002	$3,155	6.73%	1.48%
2006	$27,072,035	$ -	$84,155,001	$2,731	6.11%	1.24%
2007	$34,974,512	$ -	$84,820,000	$2,752	6.04%	1.18%

(1) Water and Sewer Funds
Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2007

Town of Andover, Massachusetts		Debt Outstanding	Estimated Percentage Applicable		Estimated Share of Overlapping Debt
Debt repaid with property taxes					
Greater Lawrence Regional Vocational Technical School District……….	$	40,455,000	0.61%	$	248,100
Greater Lawrence Sanitary District…………………………………………..		33,449,116	4.14%		1,385,000
Merrimack Valle Transit Authority…………………………………………….					114,373
Subtotal, overlapping debt………………………………………………………					1,747,473
Town direct debt…………………………………………………………………					54,492,125
Total direct and overlapping debt………………………………………………				$	56,239,598

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Equalized Valuation…………………………	$ 3,523,811,700	$ 3,523,811,700	$ 4,268,662,500	$ 4,268,662,500	$ 5,589,664,700	$ 5,589,664,700	$ 6,525,840,900	$ 6,525,840,900	$ 7,353,584,000	$ 7,353,584,000
Debt Limit -5% of Equalized Valuation……	$ 176,190,585	$ 176,190,585	$ 213,433,125	$ 213,433,125	$ 279,483,235	$ 279,483,235	$ 326,292,045	$ 326,292,045	$ 367,679,200	$ 367,679,200
Less:										
Outstanding debt applicable to limit……	$ 13,203,250	$ 48,620,150	$ 47,151,500	$ 52,850,000	$ 58,181,000	$ 61,490,224	$ 59,689,018	$ 59,455,259	$ 59,278,195	$ 61,905,809
Authorized and unissued debt………….	$ 14,027,552	$ 49,143,552	$ 84,546,552	$ 78,655,552	$ 66,732,052	$ 59,612,052	$ 48,127,052	$ 38,994,500	$ 32,853,500	$ 28,691,865
Legal debt margin……………………………	$ 148,959,783	$ 78,426,883	$ 81,735,073	$ 81,927,573	$ 154,570,183	$ 158,380,959	$ 218,475,975	$ 227,842,286	$ 275,547,505	$ 277,081,526
Total debt applicable to the limit as a percentage of debt limit……………	15.46%	55.49%	61.70%	61.61%	44.69%	43.33%	33.04%	30.17%	25.06%	24.64%

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age
1998	30,226	$ 1,194,051,930	$ 39,504	n/a
1999	29,846	$ 1,203,102,408	$ 40,310	n/a
2000	30,251	$ 1,244,314,383	$ 41,133	39.5
2001	30,251	$ 1,269,200,671	$ 41,956	39.5
2002	30,695	$ 1,313,585,563	$ 42,795	39.5
2003	29,994	$ 1,309,258,156	$ 43,651	39.5
2004	29,843	$ 1,328,720,243	$ 44,524	39.5
2005	30,820	$ 1,399,664,278	$ 45,414	39.5
2006	33,475	$ 1,376,927,175	$ 41,133	39.5
2007	33,475	$ 1,404,465,719	$ 41,956	39.5

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

Principal Employers (excluding Town)

Current Year and Nine Years Ago

Employer	Nature of Business	2007 Employees	2007 Rank	2007 Percentage of Total Town Employment	1998 Employees	1998 Rank	1998 Percentage of Total Town Employment
Raytheon Co & Endrock Associates	Missile Systems	3,300	1	10%	4,800	1	17%
Internal Revenue Service	Regional Service Center	2,340	2	7%	1,800	4	6%
Philips Electronics (formerly Agilent/formerly Hewlett Packard)	Medical Electronics	2,000	3	6%	-	-	-
Wyeth BioParma (formerly Genetics Institute)	Biotechnology Research & Manufacturing	1,835	4	6%	1,000	6	4%
Phillips Academy	Private School	1,186	5	4%	-	-	-
Putnam Investments	Mutual Funds	1,050	6	3%	2,000	3	7%
Vicor	Computer Equipment	923	7	3%	-	-	-
Verizon (formerly Nynex)	Communications	827	8	3%	-	-	-
Enterasys	Data Processing Services	600	9	2%	-	-	-
Hewlett Packard Services	Computer Equipment	500	10	2%	2,200	2	8%
Gillette Company	Personal Care Products	-	-	-	700	10	3%
PictureTel Communication	Communication	-	-	-	1,000	5	4%
Digital Equipment Corporation	Computer Equipment	-	-	-	720	7	3%
Dynamics Research Corporation	Manufacture Industrial Measurement Systems	-	-	-	700	8	3%
Bell Atlantic	Communication	-	-	-	700	9	3%

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent Town Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government……………………….	48	50	50	54	56	56	54	53	66	66
Public Safety………………………………	133	135	140	143	148	149	145	145	145	145
Education……………………………………	576	615	650	669	694	738	691	724	733	759
Public works/Plant and facilities………….	99	99	100	104	110	110	105	105	105	105
Community services……………………….	11	12	12	13	14	14	13	13	8	8
Library………………………………………	37	38	39	39	41	41	40	38	31	31
Total ………………………………………	903	948	992	1,022	1,062	1,107	1,048	1,078	1,088	1,114

Source: Various Town Departments

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	Calendar Year 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Population	29,074	30,226	29,846	30,251	30,251	30,695	29,994	29,843	30,820	29,310
Registered Voters, Annual Town Election	19,029	19,287	18,733	19,874	19,853	19,237	18,725	20,220	19,380	19,656
Town Clerk										
Births	341	345	327	328	345	345	283	269	272	258
Marriages	189	174	177	187	142	163	106	169	133	114
Deaths	251	258	261	277	234	296	244	247	260	290
Dogs licensed	2,204	2,041	2,147	2,321	2,238	2,260	2,292	2,272	2,230	2,400
Fishing & Hunting Licenses	630	560	454	379	424	416	375	296	265	266
Business Certificates	126	112	148	115	113	130	167	177	123	107
New Voter Registrations	991	1,689	1,348	2,398	794	1,603	1,044	2,611	931	1,501
Passport Applications	n/a	n/a	n/a	n/a	62	1,361	1,163	1,200	797	825
Public Safety										
Police										
Documented calls for police services	30,873	28,066	39,492	38,696	37,126	32,050	31,245	32,245	32,209	31,827
Arrests	404	448	848	738	499	450	450	400	578	622
Domestic Abuse	29	25	41	39	37	25	35	26	40	42
Vandalism	213	237	192	188	301	255	215	214	185	217
Larceny	427	465	424	337	490	425	380	345	458	353
Assaults	77	60	56	58	73	67	53	33	55	55
Breaking & Entering	91	83	95	71	60	51	65	47	69	60
Motor Vehicle accidents	1,225	1,351	1,243	1,184	1,163	1,307	1,177	1,087	1,007	971
Parking tickets issued	8,000	6,500	8,775	14,000	10,250	11,125	12,000	13,900	5,484	5,766
Total number of animal complaints	1,155	n/a	942	1,131	914	941	822	780	669	769
Fire										
Incidents										
Fires	293	245	445	420	768	637	1,098	1,028	1,279	1,159
EMS Calls	2,009	2,022	2,427	2,770	2,610	2,571	3,094	2,514	2,632	2,743
Motor Vehicle Accidents	168	181	249	283	321	156	284	253	265	279
Hazardous Conditions	n/a	n/a	n/a	n/a	25	96	130	109	227	258
False Alarms & False Calls	70	195	191	230	345	490	747	744	814	796
Miscellaneous Alarms	140	278	404	528	528	450	529	303	192	25
Good Intent Calls	907	243	175	180	106	171	140	117	141	130
Mutual Aid (Fire Calls)	25	19	35	20	47	14	17	21	21	26
Ambulance Mutual Aid Calls	171	174	155	61	53	40	57	50	48	41

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Calendar Year									
Fire Prevention Activities	1,757	1,864	2,040	2,343	2,224	2,030	2,204	2,135	1,730	1,658
Service Calls	12	428	1,501	2,265	2,958	2,597	2,460	2,231	2,421	2,159
Training	21	45	180	144	177	126	138	232	225	265
Co-Activation	n/a	n/a	48	45	45	36	34	25	57	77
Permits/certificates issued										
Smoke Detectors	666	764	716	725	602	679	814	840	1,038	718
Report Copies	68	61	77	72	85	64	66	82	57	62
Blasting Permits	14	16	17	7	16	76	51	68	44	9
Cutting/Welding Permits	28	15	13	15	13	21	22	24	24	18
Dumpster Permits	117	69	72	58	80	100	127	143	104	169
Fireworks Display Permits	2	1	1	1	1	1	2	1	1	2
Gunpowder Storage Permits	-	1	-	-	1	-	1	3	-	-
Liquid Gas Storage Permits	53	52	69	57	63	71	86	53	95	74
Flammable Liquid Storage Permits	2	4	1	6	5	6	6	2	9	34
Miscellaneous Permits	2	1	5	2	2	3	4	2	10	17
Open Air Burning Permits	791	679	613	571	612	234	513	487	437	517
Oil Burner Install Permits	154	166	159	112	138	104	108	138	110	127
Commercial Fire Alarm Systems	1	28	47	28	69	35	63	78	80	56
Special Suppression System Permits	-	5	12	6	10	10	7	2	9	10
Sprinkler Install Permits	64	58	76	62	73	45	64	52	69	66
Underground Tank Re-certification	4	16	10	-	9	10	9	11	10	8
Underground Tank Removals	72	99	74	57	67	49	45	53	41	49
Master Fire Alarm Boxes	132	138	133	137	144	156	150	8	20	20
Building Department										
Permits issued	1,178	1,170	1,208	1,211	1,143	1,114	1,334	1,483	1,284	1,487
Education										
Public school enrollment	5,628	5,698	5,785	5,875	5,886	5,963	5,925	6,000	6,026	6,018
Public Works										
Cemetery										
Lots sold	105	n/a	117	94	108	62	76	53	111	49
Interments/cremations	92	84	92	101	101	62	46	57	75	79

(continued)

Operating Indicators by Function/Program

Last Ten Calendar Years

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
	Calendar Year									
Human Services										
Board of Health										
Plan reviews	312	287	168	147	159	175	210	206	222	180
Inspections										
Restaurant	290	232	203	224	142	85	110	93	153	197
Environmental/Sanitary Code	n/a	n/a	n/a	n/a	175	210	167	185	194	240
Complaints investigated	283	245	147	185	494	224	250	309	277	202
Administrative Hearings	2	6	3	7	4	3	6	14	10	6
Court Actions	2	4	3	5	2	1	5	12	12	3
Council on Aging										
Home delivered meals served	13,092	20,000	20,500	24,500	22,500	25,000	25,000	26,000	26,520	28,776
Medical-van trips	550	1,100	1,300	1,200	1,300	1,350	1,875	1,750	1,785	1,785
Libraries										
Program attendance	n/a	11,171	20,078	13,616	9,060	14,941	13,798	8,000	8,131	16,110
Books & Periodicals	405,865	393,952	379,296	355,000	350,000	355,000	350,000	345,000	332,661	336,224
PC & Internet Use	7,742	10,343	19,500	30,000	35,900	45,000	52,500	52,500	50,757	54,454
Reference Questions	43,834	40,327	67,500	60,000	55,000	54,900	54,900	56,000	59,618	61,919
Non-Print Circulation	104,361	113,368	136,000	150,000	165,000	175,000	190,000	175,000	162,280	161,887
Sewer										
Service connections	5,062	5,062	5,062	5,293	5,654	5,680	5,850	5,850	5,850	5,850
Water										
Daily consumption (in million gallons)	5.093	5.004	6.510	5.760	6.510	6.540	5.940	6.030	6.720	6.200

Source: Various Town Departments

N/A Information not available

(Concluded)

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Number of Buildings	14	14	14	14	14	16	16	16	16	16
Police										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools	5	5	5	5	5	6	6	6	6	6
Number of middle schools	2	2	2	2	2	3	3	3	3	3
Number of high schools	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles)	235	235	235	235	235	235	235	235	235	235
Fire hydrants	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2300
Sanitary sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	146	146	146
Storm sewers (miles)	80	80	80	80	80	80	80	80	80	80
Culture and Recreation										
Playgrounds	14	14	14	14	14	14	14	14	14	14
Parks	4	4	4	4	4	4	4	4	4	4
Playgrounds - Acreage	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Parks - Acreage	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88	4.88
Public beaches	1	1	1	1	1	1	1	1	1	1
Ball fields	29	29	29	29	29	31	31	31	31	31
Tennis courts	10	10	10	10	10	10	10	10	10	10

Source: Various Town Departments
N/A Information not available

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Levy Limit……………………	$ 55,826,738	$ 58,922,638	$ 62,075,279	$ 65,892,530	$ 71,123,231	$ 75,831,251	$ 79,165,092	$ 82,285,046	$ 86,010,409	$ 87,189,479
Previous Levy……………….	$ 51,163,668	$ 53,948,756	$ 57,141,225	$ 60,382,095	$ 63,948,257	$ 68,287,439	$ 72,287,345	$ 75,252,414	$ 78,949,600	$ 82,958,866
Legal Increase………………	$ 1,279,092	$ 1,348,719	$ 1,428,531	$ 1,509,552	$ 1,598,706	$ 1,707,186	$ 1,807,184	$ 1,881,310	$ 1,973,740	$ 2,073,972
New Growth…………………	$ 1,505,996	$ 1,843,750	$ 1,812,339	$ 2,056,610	$ 2,740,476	$ 2,292,720	$ 1,157,885	$ 1,815,876	$ 2,035,526	$ 2,156,641
Debt Exclusion………………	$ 1,877,982	$ 1,781,413	$ 1,693,184	$ 1,944,273	$ 2,835,792	$ 3,543,906	$ 3,912,678	$ 3,335,446	$ 3,051,543	$ 3,110,789
Maximum Taxing Capacity…	$ 55,826,738	$ 58,922,638	$ 62,075,279	$ 65,892,530	$ 71,123,231	$ 75,831,251	$ 79,165,092	$ 82,285,046	$ 86,010,409	$ 90,300,268
Actual Levy…………………	$ 54,960,204	$ 58,081,474	$ 61,739,103	$ 64,931,425	$ 69,830,570	$ 75,831,100	$ 79,164,340	$ 81,667,810	$ 86,009,003	$ 90,261,283
Unused Levy Capacity…….	$ 866,534	$ 841,164	$ 336,176	$ 961,105	$ 1,292,661	$ 151	$ 752	$ 617,236	$ 1,406	$ 38,985