

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



For the Year Ended June 30, 2025



TOWN OF ANDOVER, MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended
June 30, 2025



Prepared by:

Hayley Green, Director of Budget & Capital Management

TOWN OF ANDOVER, MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

JUNE 30, 2025

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Introductory Section

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Town of Andover

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

Letter of Transmittal

February 5, 2026

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

At the close of each year state law requires the Town of Andover to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Town of Andover, Massachusetts, for the year ended June 30, 2025, for your review.

This report consists of management's representations concerning the finances of the Town of Andover. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Andover has established a comprehensive internal control framework that is designed both to protect the Government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Andover's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Andover's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2025, are fairly presented in conformity with GAAP.

The Town of Andover's financial statements have been audited by CBIZ CPAs, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Andover, for the year ended June 30, 2025, are free of material misstatement. An Audit Committee assists the Town Manager with the selection of the independent auditor, oversight of the audit process, and resolution of audit findings.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Andover's financial statements for the year ended June 30, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

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

Profile of the Town

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

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

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

Andover is known for its forward-thinking government, committed to quality, responsiveness, and service. The Town's governing Charter was enacted by the Legislature in 1956, amended in 1974, 2004 and again in 2025. The Charter authorizes an Open Town Meeting-Select Board-Town Manager form of government. The Town is overseen by an elected five-member Select Board, and is administered by an appointed professional Town Manager, who also oversees approximately 20 departments and divisions. Andover's public schools are overseen by an elected five-member School Committee and administered by an appointed professional Superintendent. There are also various appointed boards and committees which have specific responsibilities concerning various aspects of Town governance. Town Meeting, which is generally unique to New England, serves as Andover's legislative body. It offers all registered voters of the community the opportunity to participate in the major decisions of the Town. Town Meeting is facilitated by an elected Town Moderator, who is responsible for appointing a nine-member Finance Committee, which in turn is responsible for advising Town Meeting on matters brought before it.

The Town provides a full array of high quality services to the general public, including: full-time police and fire rescue services; schools for grades kindergarten through 12, (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 veteran services; a full service library; and various parks, playgrounds, conservation lands, and recreational programs. The Town also operates its own water supply, treatment and distribution system; and provides sanitary waste disposal via connections to a regional treatment facility. During the summer months the Town operates Pomp's Pond, a family and youth-oriented recreation area located off Abbot Street, which includes recreational and instructional swimming, shaded picnic tables, boat rentals, volleyball, and children's playground. The Town is committed to a high degree of community responsiveness, providing high quality services to its residents, and conducting all its affairs in a professional manner.

Factors Affecting Economic Condition

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

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

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and did not close to the public. Departments remained operational and employees continued to perform their daily duties. A number of businesses were forced to stop or significantly reduce operations, decreasing the Town's portion of certain revenue. The Town has also incurred unanticipated costs specifically related to the pandemic. Some of these costs have been and continue to be recovered through various grants administered by the Federal government.

Local economy: Andover is home to businesses of all sizes. The Town is known for its vibrant and diversified local economy. With its major intersecting highways, busy rail line, and proximity to international airports in Boston, MA and Manchester, NH, Andover is a true business "crossroads." The Town offers several industrial parks, a thriving downtown central business district, and a number of mixed-use commercial areas. Andover is a highly sought-after location for large companies representing major industries, including those involved in defense contracting, computer hardware and software, life science, pharmaceutical, biotech, and medical products. Andover's largest commercial/industrial employers are Raytheon, Proctor & Gamble Gillette, Internal Revenue Service, Pfizer, Vicor, Schneider Electric, Phillips Academy, Smith & Nephew, Hewlett Packard and Zwicker & Associates. There are approximately 500 acres of developable commercial and industrial land remaining in Town, as well as

significant office space rental opportunities, suitable for accommodating almost any business need. The Town anticipates continued expansion of its sizable tax base given its favorable location, diverse high-end employment base, and availability of developable land. Andover has seen solid growth rates annually since 1999, reflecting continued expansion of commercial and industrial properties and sustained value appreciation.

The development climate in Andover continues to reflect positive trends and activities. The Vicor Corporation expanded their manufacturing headquarters by 87,000 square feet at 400 Federal Street. Town Meeting voters overwhelmingly approved a Tax Increment Financing agreement as part of the development. Pfizer opened their new 178,000 square foot addition to their main campus. The addition is part of a long-term campus wide master plan that will eventually bring the site to 982,000 square feet. Proctor & Gamble Gillette is in the process of expanding its Andover campus as it transitions much of its manufacturing operations out of South Boston.

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

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

The new Municipal Services Facility is located at 5 Campanelli Drive, which was relocated out of the downtown area in 2019. This re-location allowed for targeted economic growth and expansion of the downtown consistent with the newly adopted Historic Mill District. This zoning overlay district is intended to promote the redevelopment of a large area of approximately 100 acres between Main Street, Dundee Park, the Shawsheen River and the Whole Foods Grocery Store. The new district will help facilitate a highly controlled process that is in keeping with the character of the central business district while promoting opportunities for new retail, office and housing, expand the existing tax base, bolster property values and expand the downtown to the regional transit station. After much public input, the Select Board recently voted to sell the land where the old Municipal Facilities building resides. The Town issued a community authored Request for Proposal (RFP) that would allow for the disposition of the facility, and ultimately awarded the project to MINCO Corporation, which will begin the process of constructing apartments and community space in 2026.

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

Given the number of years of reduced/or level funded state aid, the Town has been able to minimize the impact to municipal and school services through a combination of prudent budgeting, user fee

adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs. The Town is currently managing approximately \$398.3 million worth of long-term debt. This indebtedness consists of approximately \$335.6 million of general government debt and \$62.7 million of enterprise fund debt, which is self-supporting through enterprise fund revenues.

As of June 30, 2025, the Town has authorized and unissued debt totaling \$54.0 million, including \$30.7 million for Town and School capital projects, \$10.0 million for pension obligation bonds, and \$13.3 million for water and sewer infrastructure projects.

On December 16, 2021, the Town issued \$165 million of pension obligation bonds as an overall strategy to fund the unfunded portion of the Town's pension liability. The assumption is that the bond proceeds, which are invested in higher-yielding asset classes, will achieve a rate of return that is greater than the interest rate owed over the term of the bonds.

The Town's Bond Premium Stabilization Fund totals \$686,000 at June 30, 2025. The fund is used, by a vote of Town Meeting, to supplement interest payments on non-exempt long-term bonds to ensure that the taxpayers only pay the true interest cost. The Town's General Stabilization fund totals \$7.5 million as of June 30, 2025.

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

Cash management policies and practices: The Town issues property tax bills quarterly and derives approximately 85% of annual General Fund revenue from this source. The quarterly billings result in a cyclical build-up and then spend-down of operational cash reserves. Every effort is made to put our reserves to work. The Town's investment policy remains conservative with particular attention to the constraints of safety and liquidity while attempting to secure the highest yield possible within those constraints.

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

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

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

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

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

Pension and other postemployment benefits: The Town contributes to the Andover Contributory Retirement System (the System), a cost sharing defined benefit pension plan administered by the Andover Contributory Retirement Board. An independent actuary engaged by the Andover Contributory Retirement Board calculates the amount of the annual contribution that the Town of Andover must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a requirement by law, the Town of Andover fully funds each year's annual required contribution to the pension plan as determined by the actuary. Management implemented both a policy and methodology for determining a discount rate that reflects past and projected future performance. The liability included in the financial statements, and consistent with GASB 68, is based on a discount rate of 5.75%. Through past contributions and the Town issuing \$165 million of pension obligation bonds in 2021, the System has succeeded in funding 97.89% of the present value of the projected benefits earned by employees based on the most recent actuarial valuation dated January 1, 2025.

The Town also provides postemployment health care and life insurance benefits for Town and School retirees and their dependents. The Town established an Other Postemployment Benefit Trust Fund (OPEB) at the April 2010 Annual Town Meeting and has continued to make deposits. Town Meeting appropriated \$2.0 million to the OPEB Trust Fund in 2025 bringing the balance in the fund to \$38.3 million.

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

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

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

Awards and Acknowledgements: The Government Finance Officers Association (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2024. This was the twenty-first 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 ACFR 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 ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA's Distinguished Budget Presentation Award for its fiscal 2025 annual budget document. To qualify for the Distinguished Budget Presentation Award, the Town's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the Town's financial team. We would like to acknowledge Patrick Lawlor's service to Andover for much of 2025. His contributions will continue to have a positive impact on Andover for years to come. Additionally, we would like to express our sincere appreciation to the dedicated Town and School workers, our elected officials and appointed board and committee members for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Andover.

On behalf of the Town, we are pleased to share Andover's 2025 ACFR.

Respectfully submitted,



Andrew P. Flanagan
Town Manager



Hayley Green
Director of Budget & Capital Management



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Andover
Massachusetts**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Andover
Massachusetts**

For the Fiscal Year Beginning

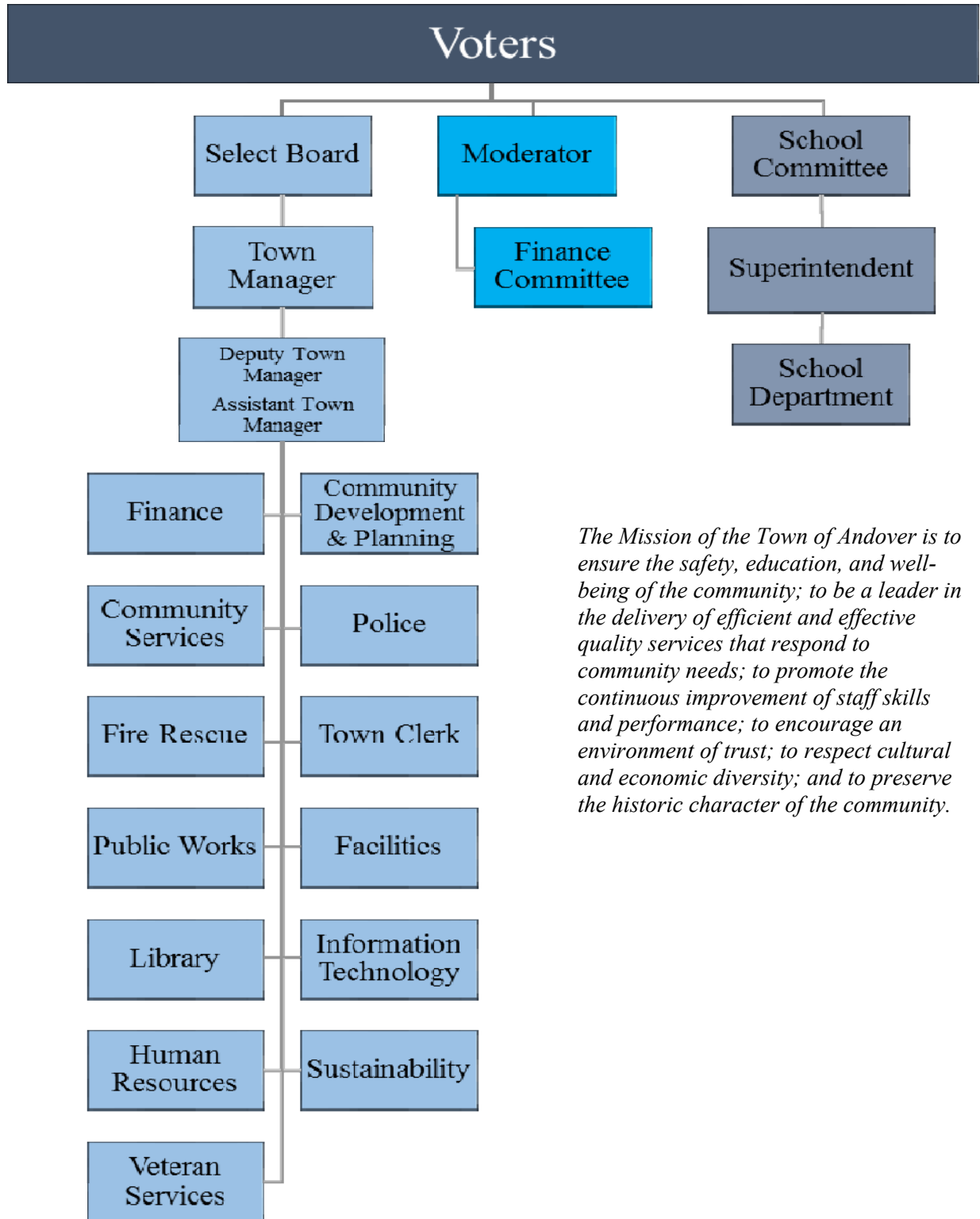
July 01, 2024

Christopher P. Morill

Executive Director

Town of Andover, Massachusetts

Organizational Chart



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

Town of Andover, Massachusetts

Principal Town Officials

As of June 30, 2025

Elected Officials

Select Board

Alexander J. Vispoli, Chair
Ellen Townson, Vice Chair
Melissa Danisch, Clerk
Kevin Coffey
Laura M. Gregory

Town Moderator

Sheila M. Doherty

School Committee

Shauna Murray, Chair
Lauren M. Conoscenti, Ph D., Vice Char
Lauren Diffenbach
Christopher Shepley
Jake Tamarkin

Appointed Officials

Town Manager

Andrew P. Flanagan

Superintendent of Schools

Dr. Magda C. Parvey

Deputy Town Manager

Michael A. Lindstrom

Deputy Town Manager/Town Clerk

Austin Simko

Deputy Town Manager for Admin. & Finance

Alex Magee

Director of Budget and Capital Management

Hayley S. Green

Treasurer/Collector

Michael Morse

Chief Assessor

Tristan Hoare

Fire Chief

Kyle Murphy

Police Chief

Patrick Keefe

Chief People Officer

Brittney Lavoie

Library Director

Esmé Green

Director of Public Works

Carlos Jaquez

Director of Facilities

Janet Nicosia

Chief Innovation Officer

Ryan Knowles

Director of Communications

Phillip Geoffroy

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Financial Section

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 (the "Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the

underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Merrimack, NH
February 5, 2026

Management's Discussion and Analysis

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

As management of the Town of Andover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2025. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

Financial Highlights

- At the close of the current year, the Town's general fund reported an ending fund balance of \$43.2 million, which represents 19.5% of total general fund budgetary basis expenditures.
- For the government-wide financial statements, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the year by \$61.1 million (net position).
- The Town's Net Other Postemployment Benefits (OPEB) liability totaled \$93.4 million as of June 30, 2025, along with \$20.5 million of deferred inflows of resources and \$3.6 million of deferred outflows of resources related to OPEB. The governmental activities report a \$97.2 million net OPEB liability on the statement of net position and the business-type activities report a \$3.8 million net OPEB asset. The Town contributed \$2.0 million to the OPEB trust fund in 2025 and at year-end the OPEB trust fund reports net position of \$38.3 million.
- The Town has reported a \$6.0 million Net Pension liability, as well as \$9.5 million of deferred inflows and \$1.2 million of deferred outflows of resources relates to pensions on the statement of net position. As of December 31, 2024, the System's funded ratio (net position as a percentage of the total pension liability) was 97.89%.
- The Town's total gross debt (short-term and long-term combined) increased by \$21.4 million during the current year. This was due to the net effect of the issuance of \$42.0 million of long-term bonds and \$1.0 million of associated premiums, offset by \$20.0 million in principal payments on long-term debt and \$1.5 million amortization of bond premiums.
- The General Capital Projects fund, which was previously reported as a nonmajor governmental fund, has been reclassified to a major governmental fund in fiscal 2025. Additionally, the Highway Construction, COVID-19, Gas Disaster Paving Restoration and Gas Disaster Mitigation funds, which were previously reported as major governmental funds, have been reclassified to nonmajor governmental funds in fiscal 2025. Please refer to Note 17 of the basic financial statements for further information regarding these changes within the reporting entity.

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$61.1 million at the close of 2025, which was an increase of \$19.6 million in net position from the prior year.

Net position of \$237.0 million reflects the investment in capital assets (e.g., land, construction in progress, buildings and building and land improvements, infrastructure, machinery and equipment, and vehicles); 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 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

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$21.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$197.8 million. The primary reason for the deficit balance is the recognition of the net pension and net OPEB liabilities. These are long-term unfunded liabilities that will not require significant short-term resources.

At year-end, the Town is able to report positive balances in two of three categories of net position, for the Town as a whole and for its governmental activities. Its business-type activities report a positive balance in the net investment in capital assets and in unrestricted net position. Details related to the governmental and business-type activity components of the Town follow.

Governmental Activities

The Town of Andover's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$332,000 at the close of 2025.

	2025	2024
Assets:		
Current assets.....	\$ 150,031,501	\$ 161,045,357
Noncurrent assets (excluding capital).....	161,793	221,406
Capital assets, nondepreciable.....	53,861,880	52,258,083
Capital assets, net of accumulated depreciation.....	308,574,132	284,251,894
Total assets.....	512,629,306	497,776,740
Deferred outflows of resources.....	4,640,912	12,383,314
Liabilities:		
Current liabilities (excluding debt).....	34,001,509	49,997,359
Noncurrent liabilities (excluding debt).....	118,434,410	118,870,709
Current debt.....	17,899,668	16,184,609
Noncurrent debt.....	317,700,522	309,280,462
Total liabilities.....	488,036,109	494,333,139
Deferred inflows of resources.....	28,902,244	31,586,600
Net position:		
Net investment in capital assets.....	186,360,586	175,555,323
Restricted.....	21,888,921	19,713,708
Unrestricted.....	(207,917,642)	(211,028,716)
Total net position.....	\$ 331,865	\$ (15,759,685)

The governmental net position increased by \$16.1 million during the current year. This increase was primarily due to positive general fund results of \$7.5 million, a \$1.7 million surplus in the internal service fund, the recognition of \$9.4 million of capital grant revenue, a \$5.1 million decrease in the

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

estimated landfill liability, and a combined \$4.9 million decrease in the net OPEB liability, net pension liability, and related deferred outflows and inflows of resources. These increases to net position were offset by a \$10.5 million increase in the compensated absences liability, which resulted primarily from the implementation of GASB Statement #101, *Compensated Absences*.

	2025	2024
Program Revenues:		
Charges for services.....	\$ 18,542,254	\$ 15,839,705
Operating grants and contributions.....	42,473,496	46,186,493
Capital grants and contributions.....	9,394,028	23,404,983
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	190,992,768	181,706,013
Tax and other liens.....	507,354	768,651
Motor vehicle and other excise taxes.....	7,252,947	6,027,052
Hotel/motel tax.....	2,300,979	2,448,355
Meals tax.....	820,333	873,079
Penalties and interest on taxes.....	544,199	504,764
Grants and contributions not restricted to specific programs.....	2,669,662	2,595,107
Unrestricted investment income.....	6,057,579	7,779,496
Total revenues.....	281,555,599	288,133,698
Expenses:		
General government.....	18,252,225	16,499,867
Public safety.....	32,339,771	29,670,463
Education.....	167,253,694	157,306,447
Public works.....	18,374,994	16,841,975
Public facilities.....	7,524,669	7,068,051
Community services.....	7,294,366	6,517,712
Library.....	4,134,799	3,810,594
Interest.....	9,514,322	6,388,741
Total expenses.....	264,688,840	244,103,850
Excess (Deficiency) before extraordinary items and transfers.....	16,866,759	44,029,848
Extraordinary item:		
Extraordinary item - gas disaster expenses.....	(252,675)	(40,253)
Transfers.....	(522,534)	(522,391)
Change in net position.....	16,091,550	43,467,204
Net position, beginning of year.....	(15,759,685)	(59,226,889)
Net position, end of year.....	\$ 331,865	\$ (15,759,685)

The governmental expenses totaled \$264.7 million, of which \$70.4 million (27%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$211.1 million, primarily coming from property taxes, motor vehicle and other excise taxes, and unrestricted investment income.

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

Governmental activities recognized a \$2.7 million (17%) increase in charges for services revenue compared to the prior year. The most significant factor contributing to this increase was a \$2.2 million increase in building permit revenue, mainly related to the planned expansion of the Gillette (P&G) manufacturing facility. Governmental activities also recognized a \$3.7 million (8%) decrease in operating grants and contributions and a \$14.0 million (60%) decrease in capital grants and contributions compared to the prior year. The decrease in operating grants and contributions primarily relates to a \$2.6 million decrease in payments made to the Massachusetts Teachers' Retirement System by the Commonwealth of Massachusetts on-behalf of the Town, as well as a \$1.2 million decrease in revenue recognized in connection with the federal American Rescue Plan Act (ARPA) program. The decrease in capital grants and contributions is due to fluctuation in reimbursement revenue recognized for receipts from the Massachusetts School Building Authority (MSBA) for the West Elementary and Shawsheen Preschool construction project, and the state Chapter 90 highway improvement program.

Governmental activities expenses increased \$20.6 million (8%) from the prior year. The most significant factors contributing to this increase were a \$9.5 million increase in budgeted general fund operations, a \$10.7 million increase in expenses recognized for the change in the compensated absences liability due to the implementation of GASB Statement #101, and a \$1.7 million increase in depreciation expense resulting from the first full year of depreciation expense on the West Elementary School.

Business-Type Activities

The Town of Andover's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for business-type activities by \$60.8 million at the close of 2025.

Business-type net position of \$50.6 million represents the net investment in capital assets while \$10.2 million is unrestricted. The Town's business-type activities net position increased by \$3.6 million in the current year.

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

	2025	2024
Assets:		
Current assets.....	\$ 23,458,739	\$ 16,111,048
Noncurrent assets (excluding capital).....	5,032,738	4,779,835
Capital assets, nondepreciable.....	4,746,000	3,621,322
Capital assets, net of accumulated depreciation.....	95,038,265	89,544,762
Total assets.....	128,275,742	114,056,967
Deferred outflows of resources.....	170,025	822,980
Liabilities:		
Current liabilities (excluding debt).....	3,046,334	2,757,836
Noncurrent liabilities (excluding debt).....	782,496	1,499,577
Current debt.....	4,875,734	4,149,290
Noncurrent debt.....	57,814,610	47,308,696
Total liabilities.....	66,519,174	55,715,399
Deferred inflows of resources.....	1,161,616	1,954,733
Net position:		
Net investment in capital assets.....	50,611,995	54,680,427
Unrestricted.....	10,152,982	2,529,388
Total net position.....	\$ 60,764,977	\$ 57,209,815
	2025	2024
Program Revenues:		
Charges for services.....	\$ 19,154,563	\$ 16,402,591
Capital grants and contributions.....	1,176,794	-
General Revenues:		
Unrestricted investment income.....	118,778	97,876
Total revenues.....	20,450,135	16,500,467
Expenses:		
Water.....	12,791,828	6,816,189
Sewer.....	4,625,679	3,839,904
Total expenses.....	17,417,507	10,656,093
Excess (Deficiency) before transfers.....	3,032,628	5,844,374
Transfers.....	522,534	522,391
Change in net position.....	3,555,162	6,366,765
Net position, beginning of year.....	57,209,815	50,843,050
Net position, end of year.....	\$ 60,764,977	\$ 57,209,815

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

The water enterprise fund net position increased by \$2.5 million. The increase results from operating income of \$2.1 million, investment income of \$52,000 and \$458,000 of interfund transfers from the general fund related to the water share of pension obligation bond debt service. These increases were offset by interest expense totaling \$1.2 million. The primary reason for the increase in net position was positive operating results, a \$1.2 million increase from the change in the net OPEB asset and related deferred inflows and outflows of resources, and the recognition of \$1.2 million of capital grant revenue associated with grant receipts and loan forgiveness received from the Massachusetts Clean Water Trust (MCWT) for various water projects.

The sewer enterprise fund net position increased by \$1.0 million. The increase results from operating income of \$1.0 million, investment income of 67,000 and \$65,000 of interfund transfers from the general fund related to the sewer share of pension obligation bond debt service. These increases were offset by interest expense totaling \$134,000. The primary reason for the increase in net position was positive operating results along with a \$331,000 increase from the change in the net OPEB asset and related deferred inflows and outflows of resources.

Financial Analysis of the Governmental Funds

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$89.6 million, which is comprised of \$43.2 million in the general fund, \$2.8 million in the school capital projects fund, \$12.8 million in the general capital projects funds, and \$30.7 million in the nonmajor governmental funds. Cumulatively, there was an increase of \$92,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$37.0 million while total fund balance was \$43.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 16.7% of total general fund budgetary expenditures, while total fund balance represents 19.5% of that same amount.

The general fund experienced an increase of \$7.5 million in 2025, which is due to a \$6.2 million increase from budgetary operating results and a \$1.3 million increase in the Town's stabilization funds, which are reported as a component of the general fund for GAAP. General fund revenues exceeded the budget by \$10.3 million, expenditures were under budget by \$997,000, and carryforwards increased by

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

\$893,000. These surpluses were offset by the use of \$5.5 million of free cash to fund capital projects and supplemental appropriations.

General fund revenues increased \$8.3 million (3%) compared to the prior year. Property tax revenue, which is the most significant revenue source for the Town's general fund, accounts for \$8.8 million of this increase. The increase is the result of a 5.0% increase to the tax levy, which was supported by the Proposition 2 ½ allowed levy increase, plus new growth. Total assessed values increased by 8% from the prior year while the residential and commercial tax rates decreased by 3.0% and 4.6%, respectively. License and permit revenues also increased, by \$2.2 million, as a result of the planned expansion of the Gillette (P&G) manufacturing facility. These revenue increases were offset by a \$2.6 million decrease in revenue recognized related to payments made to the Massachusetts Teachers' Retirement System by the Commonwealth of Massachusetts on-behalf of the Town.

The school capital projects fund is used to account for the acquisition and construction of various school related capital assets, including construction of the new West Elementary and Shawsheen Preschool building. In 2025, the fund recognized \$6.5 million of reimbursement revenue from the Massachusetts School Building Authority (MSBA) related to this project, as well as \$14.3 million of bond proceeds and associated premiums and \$450,000 of interfund transfers from the general fund. Project expenditures totaled \$32.8 million in 2025 and related primarily to the West Elementary construction and Doherty Middle School renovation projects.

The general capital projects fund is used to account for the acquisition and construction of various Town capital assets. In 2025, the fund recognized \$3.2 million of bond proceeds as well as \$5.1 million of interfund transfers from the general fund. Project expenditures totaled \$6.0 million, resulting in a \$2.3 million increase in fund balance.

General Fund Budgetary Highlights

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2025 approved budget authorized \$227.6 million in appropriations and other amounts to be raised, including \$2.5 million of encumbrances and continuing appropriations carried forward from the prior year. An additional \$5.6 million in subsequent appropriations were approved in the final budget, a majority of which were from the use of free cash to fund capital projects and supplement the operating budget. Revenues exceeded the budget by \$10.3 million which was mainly due to investment income, licenses and permits, and motor vehicle and other excise taxes. Total expenditures came in under budget by \$997,000.

Capital Asset and Debt Administration

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

Town of Andover, Massachusetts

Management's Discussions and Analysis

Year Ended June 30, 2025

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$462.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building and land improvements, machinery and equipment, infrastructure, vehicles and library books.

The Town invested \$52.7 million for capital asset additions in 2025. The most significant capital activity related to the West Elementary and Shawsheen Preschool building project, Doherty Middle School renovation project, and various road, water and sewer infrastructure projects.

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

As of June 30, 2025, outstanding long-term debt and unamortized premiums for governmental activities totaled \$335.6 million, of which \$135.5 million relates to pension obligation bonds, \$133.6 million relates to school projects, \$39.2 million is for public works and public facilities projects, \$7.0 million is for public safety projects, \$6.2 million is for land acquisition, \$4.8 million is for culture and recreation projects, and the remaining balance of \$9.4 million relates to unamortized bond premiums. The Town issued \$27.6 million of long-term governmental activities debt in 2025, inclusive of premiums received.

The water and sewer enterprise funds have outstanding long-term debt and unamortized premiums totaling \$55.3 million and \$7.4 million, respectively. \$15.4 million of new long-term debt, inclusive of premiums received, was issued in 2025, including \$14.1 million for water projects, \$825,000 for sewer projects, and \$530,000 of bond premiums. Debt service related to the pension obligation bond continues to be subsidized by the general fund.

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

Town of Andover, Massachusetts

Statement of Net Position

June 30, 2025

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 138,643,320	\$ 16,829,762	\$ 155,473,082
Investments.....	1,955,552	-	1,955,552
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,914,750	-	1,914,750
Tax liens.....	3,392,197	78,587	3,470,784
Motor vehicle and other excise taxes.....	532,968	-	532,968
User charges.....	-	6,196,490	6,196,490
Departmental and other.....	1,136,116	-	1,136,116
Intergovernmental.....	2,197,506	-	2,197,506
Special assessments.....	-	353,900	353,900
Tax foreclosures.....	259,092	-	259,092
	150,031,501	23,458,739	173,490,240
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	161,793	-	161,793
Special assessments.....	-	1,259,947	1,259,947
Capital assets, nondepreciable.....	53,861,880	4,746,000	58,607,880
Capital assets, net of accumulated depreciation.....	308,574,132	95,038,265	403,612,397
Net other postemployment benefits asset.....	-	3,772,791	3,772,791
	362,597,805	104,817,003	467,414,808
TOTAL ASSETS.....	512,629,306	128,275,742	640,905,048
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,151,965	98,030	1,249,995
Deferred outflows related to other postemployment benefit	3,488,947	71,995	3,560,942
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	4,640,912	170,025	4,810,937

See notes to basic financial statements.

Town of Andover, Massachusetts

Statement of Net Position (Continued)

June 30, 2025

LIABILITIES

CURRENT:

Warrants payable.....	10,759,338	2,299,199	13,058,537
Accrued payroll.....	7,563,368	70,993	7,634,361
Health claims payable.....	3,135,195	-	3,135,195
Tax refunds payable.....	687,000	-	687,000
Due to other governments.....	-	75,231	75,231
Accrued interest.....	2,290,994	382,577	2,673,571
Liabilities due depositors.....	-	11,334	11,334
Other liabilities.....	1,417,002	-	1,417,002
Unearned revenue.....	3,176,612	-	3,176,612
Landfill closure.....	276,000	-	276,000
Compensated absences.....	4,678,000	207,000	4,885,000
Workers' compensation.....	18,000	-	18,000
Bonds payable.....	17,899,668	4,875,734	22,775,402

Total current liabilities.....	51,901,177	7,922,068	59,823,245
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NONCURRENT:

Due to other governments.....	-	143,952	143,952
Landfill closure.....	3,640,000	-	3,640,000
Compensated absences.....	11,681,000	356,000	12,037,000
Workers' compensation.....	161,000	-	161,000
Net other postemployment benefits liability.....	97,218,622	-	97,218,622
Net pension liability.....	5,733,788	282,544	6,016,332
Bonds payable.....	317,700,522	57,814,610	375,515,132

Total noncurrent liabilities.....	436,134,932	58,597,106	494,732,038
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TOTAL LIABILITIES.....	488,036,109	66,519,174	554,555,283
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DEFERRED INFLOWS OF RESOURCES

Taxes paid in advance.....	95,285	-	95,285
Deferred inflows related to pensions.....	9,076,965	440,617	9,517,582
Deferred inflows related to other postemployment benefits.....	19,729,994	720,999	20,450,993

TOTAL DEFERRED INFLOWS OF RESOURCES.....	28,902,244	1,161,616	30,063,860
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NET POSITION

Net investment in capital assets.....	186,360,586	50,611,995	236,972,581
Restricted for:			
Debt service.....	154,274	-	154,274
Permanent funds:			
Expendable.....	1,167,494	-	1,167,494
Nonexpendable.....	1,282,547	-	1,282,547
Gifts, grants and other.....	19,284,606	-	19,284,606
Unrestricted.....	(207,917,642)	10,152,982	(197,764,660)

TOTAL NET POSITION.....	\$ 331,865	\$ 60,764,977	\$ 61,096,842
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See notes to basic financial statements.

Town of Andover, Massachusetts

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 18,252,225	\$ 1,768,107	\$ 1,345,148	\$ 780,822	\$ (14,358,148)
Public safety.....	32,339,771	9,241,356	232,424	-	(22,865,991)
Education.....	167,253,694	3,422,934	39,728,148	6,507,165	(117,595,447)
Public works.....	18,374,994	366,306	345,591	1,189,437	(16,473,660)
Public facilities.....	7,524,669	-	-	916,604	(6,608,065)
Community services.....	7,294,366	3,740,879	672,302	-	(2,881,185)
Library.....	4,134,799	2,672	149,883	-	(3,982,244)
Interest.....	9,514,322	-	-	-	(9,514,322)
Total Governmental Activities.....	264,688,840	18,542,254	42,473,496	9,394,028	(194,279,062)
<i>Business-Type Activities:</i>					
Water.....	12,791,828	13,651,696	-	1,176,794	2,036,662
Sewer.....	4,625,679	5,502,867	-	-	877,188
Total Business-Type Activities.....	17,417,507	19,154,563	-	1,176,794	2,913,850
Total Primary Government.....	\$ 282,106,347	\$ 37,696,817	\$ 42,473,496	\$ 10,570,822	\$ (191,365,212)

See notes to basic financial statements.

Town of Andover, Massachusetts

Statement of Activities (Continued)

Year Ended June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(194,279,062)	2,913,850	(191,365,212)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	190,992,768	-	190,992,768
Tax and other liens.....	507,354	-	507,354
Motor vehicle and other excise taxes.....	7,252,947	-	7,252,947
Hotel/motel tax.....	2,300,979	-	2,300,979
Meals tax.....	820,333	-	820,333
Penalties and interest on taxes.....	544,199	-	544,199
Grants and contributions not restricted to specific programs.....	2,669,662	-	2,669,662
Unrestricted investment income.....	6,057,579	118,778	6,176,357
<i>Extraordinary item - gas disaster expenses</i>	(252,675)	-	(252,675)
<i>Transfers, net</i>	(522,534)	522,534	-
Total general revenues, extraordinary items and transfers.....	210,370,612	641,312	211,011,924
Change in net position.....	16,091,550	3,555,162	19,646,712
<i>Net position:</i>			
Beginning of year.....	(15,759,685)	57,209,815	41,450,130
End of year..... \$	331,865	60,764,977	61,096,842

See notes to basic financial statements.

Town of Andover, Massachusetts

Governmental Funds Balance Sheet

June 30, 2025

	General	School Capital Projects	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 51,463,272	\$ 8,676,913	\$ 13,212,988	\$ 35,212,591	\$ 108,565,764
Investments.....	633,658	-	-	1,321,894	1,955,552
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,914,750	-	-	-	1,914,750
Tax liens.....	3,392,197	-	-	-	3,392,197
Motor vehicle and other excise taxes.....	532,968	-	-	-	532,968
Departmental and other.....	997,198	-	-	264,545	1,261,743
Intergovernmental.....	-	642,872	-	1,554,634	2,197,506
Tax foreclosures.....	259,092	-	-	-	259,092
Due from other funds.....	759,328	-	-	-	759,328
TOTAL ASSETS.....	\$ 59,952,463	\$ 9,319,785	\$ 13,212,988	\$ 38,353,664	\$ 120,838,900
LIABILITIES					
Warrants payable.....	\$ 1,674,368	\$ 6,539,442	\$ 387,496	\$ 2,030,162	\$ 10,631,468
Accrued payroll.....	7,274,185	-	2,057	287,126	7,563,368
Tax refunds payable.....	687,000	-	-	-	687,000
Due to other funds.....	-	-	-	759,328	759,328
Other liabilities.....	297,844	-	-	1,115,710	1,413,554
Unearned revenue.....	-	-	-	3,176,612	3,176,612
TOTAL LIABILITIES.....	9,933,397	6,539,442	389,553	7,368,938	24,231,330
DEFERRED INFLOWS OF RESOURCES					
Taxes paid in advance.....	95,285	-	-	-	95,285
Unavailable revenue.....	6,678,657	-	-	258,596	6,937,253
TOTAL DEFERRED INFLOWS OF RESOURCES.....	6,773,942	-	-	258,596	7,032,538
FUND BALANCES					
Nonspendable.....	-	-	-	1,282,547	1,282,547
Restricted.....	154,274	6,097,437	12,823,435	29,443,583	48,518,729
Committed.....	2,993,865	-	-	-	2,993,865
Assigned.....	3,141,780	-	-	-	3,141,780
Unassigned.....	36,955,205	(3,317,094)	-	-	33,638,111
TOTAL FUND BALANCES.....	43,245,124	2,780,343	12,823,435	30,726,130	89,575,032
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 59,952,463	\$ 9,319,785	\$ 13,212,988	\$ 38,353,664	\$ 120,838,900

See notes to basic financial statements.

Town of Andover, Massachusetts

**Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position**

June 30, 2025

Total governmental fund balances.....		\$	89,575,032
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....			362,436,012
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....			6,937,253
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported.....			(24,166,047)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....			26,668,209
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....			(2,290,994)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds payable.....	(335,600,190)		
Net pension liability.....	(5,733,788)		
Net other postemployment benefits liability.....	(97,218,622)		
Landfill closure.....	(3,916,000)		
Compensated absences.....	(16,359,000)		
Net effect of reporting long-term liabilities.....			<u>(458,827,600)</u>
Net position of governmental activities.....		\$	<u><u>331,865</u></u>

See notes to basic financial statements.

Town of Andover, Massachusetts

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2025

	General	Gas Disaster Paving Restoration	Gas Disaster Mitigation	School Capital Projects	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ 190,812,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,812,660
Tax liens.....	282,218	-	-	-	-	-	282,218
Motor vehicle and other excise taxes.....	7,024,038	-	-	-	-	-	7,024,038
Hotel/motel tax.....	2,300,979	-	-	-	-	-	2,300,979
Meals tax.....	820,333	-	-	-	-	-	820,333
Charges for services.....	-	-	-	-	-	1,789,984	1,789,984
Penalties and interest on taxes.....	544,199	-	-	-	-	-	544,199
Licenses and permits.....	5,131,597	-	-	-	-	-	5,131,597
Intergovernmental - School Building Authority.....	-	-	-	6,507,165	-	-	6,507,165
Intergovernmental - Teachers' Retirement.....	14,857,904	-	-	-	-	-	14,857,904
Intergovernmental.....	17,581,719	-	-	-	-	14,609,829	32,191,548
Intergovernmental - COVID-19 relief.....	-	-	-	-	-	1,616,242	1,616,242
Departmental and other.....	4,331,796	-	-	-	-	7,899,312	12,231,108
Contributions and donations.....	-	-	-	-	-	387,853	387,853
Investment income.....	4,742,223	-	-	-	-	377,731	5,119,954
Miscellaneous.....	-	-	-	-	-	54,947	54,947
TOTAL REVENUES.....	248,429,666	-	-	6,507,165	-	26,735,898	281,672,729
EXPENDITURES:							
Current:							
General government.....	10,659,839	-	-	-	-	3,193,441	13,853,280
Public safety.....	21,560,290	-	-	-	-	2,371,327	23,931,617
Education.....	103,410,241	-	-	-	-	14,334,827	117,745,068
Public works.....	10,860,403	-	-	-	-	3,123,475	13,983,878
Public facilities.....	3,607,917	-	-	-	-	690,360	4,298,277
Community services.....	2,486,170	-	-	-	-	3,598,429	6,084,599
Library.....	3,086,111	-	-	-	-	127,688	3,213,799
Pension benefits.....	7,155,245	-	-	-	-	-	7,155,245
Pension benefits - Teachers' Retirement.....	14,857,904	-	-	-	-	-	14,857,904
Property and liability insurance.....	1,397,472	-	-	-	-	-	1,397,472
Employee benefits.....	26,719,578	-	-	-	-	-	26,719,578
State and county charges.....	836,586	-	-	-	-	-	836,586
Capital outlay.....	-	-	-	32,844,430	5,968,240	8,364,437	47,177,107
Debt service:							
Principal.....	16,266,393	-	-	-	-	-	16,266,393
Interest.....	10,821,059	-	-	-	-	-	10,821,059
TOTAL EXPENDITURES.....	233,725,208	-	-	32,844,430	5,968,240	35,803,984	308,341,862
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	14,704,458	-	-	(26,337,265)	(5,968,240)	(9,068,086)	(26,669,133)
OTHER FINANCING SOURCES (USES):							
Issuance of bonds.....	-	-	-	13,979,000	3,150,000	9,977,000	27,106,000
Premium from issuance of bonds.....	-	-	-	296,000	-	198,729	494,729
Transfers in.....	315,820	-	-	450,000	5,082,772	1,601,000	7,449,592
Transfers out.....	(7,495,318)	-	-	-	-	(476,808)	(7,972,126)
TOTAL OTHER FINANCING SOURCES (USES).....	(7,179,498)	-	-	14,725,000	8,232,772	11,299,921	27,078,195
EXTRAORDINARY ITEM:							
Gas disaster expenditures.....	-	-	-	-	-	(317,105)	(317,105)
NET CHANGE IN FUND BALANCES.....	7,524,960	-	-	(11,612,265)	2,264,532	1,914,730	91,957
FUND BALANCES AT 6/30/24, AS PREVIOUSLY REPORTED.....	35,720,164	641,772	25,590	14,392,608	-	38,702,941	89,483,075
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND.....	-	-	-	-	10,558,903	(10,558,903)	-
ADJUSTMENT - CHANGE FROM MAJOR TO NONMAJOR FUND.....	-	(641,772)	(25,590)	-	-	667,362	-
FUND BALANCES AT 6/30/24, AS ADJUSTED.....	35,720,164	-	-	14,392,608	10,558,903	28,811,400	89,483,075
FUND BALANCES AT END OF YEAR.....	\$ 43,245,124	\$ -	\$ -	\$ 2,780,343	\$ 12,823,435	\$ 30,726,130	\$ 89,575,032

See notes to basic financial statements.

Town of Andover, Massachusetts

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2025

Net change in fund balances - total governmental funds.....	\$	91,957
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		40,304,585
Depreciation expense.....		<u>(14,378,550)</u>
Net effect of reporting capital assets.....		25,926,035
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,042,764)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....		(27,106,000)
Premium from issuance of bonds.....		(494,729)
Net amortization of premium from issuance of bonds.....		1,199,217
Debt service principal payments.....		<u>16,266,393</u>
Net effect of reporting long-term debt.....		(10,135,119)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(10,510,000)
Net change in accrued interest on long-term debt.....		107,520
Net change in deferred outflow/(inflow) of resources related to pensions.....		(14,836,793)
Net change in net pension liability.....		15,922,708
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....		9,119,350
Net change in net other postemployment benefits liability.....		(5,308,409)
Net change in landfill closure.....		<u>5,069,000</u>
Net effect of recording long-term liabilities.....		(436,624)
The net activity of internal service funds is reported with Governmental Activities.....		<u>1,688,065</u>
Change in net position of governmental activities.....	\$	<u><u>16,091,550</u></u>

See notes to basic financial statements.

Town of Andover, Massachusetts

Proprietary Funds Statement of Net Position

June 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 9,238,408	\$ 7,591,354	\$ 16,829,762	\$ 30,077,556
Receivables, net of allowance for uncollectibles:				
Liens - user charges.....	49,449	29,138	78,587	-
User charges.....	4,142,402	2,054,088	6,196,490	-
Departmental and other.....	-	-	-	36,166
Special assessments.....	-	353,900	353,900	-
Total current assets.....	13,430,259	10,028,480	23,458,739	30,113,722
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Special assessments.....	-	1,259,947	1,259,947	-
Capital assets, non depreciable.....	2,715,329	2,030,671	4,746,000	-
Capital assets, net of accumulated depreciation.....	67,770,016	27,268,249	95,038,265	-
Net other postemployment benefits asset.....	2,858,692	914,099	3,772,791	-
Total noncurrent assets.....	73,344,037	31,472,966	104,817,003	-
TOTAL ASSETS.....	86,774,296	41,501,446	128,275,742	30,113,722
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	86,891	11,139	98,030	-
Deferred outflows related to other postemployment benefits..	63,843	8,152	71,995	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	150,734	19,291	170,025	-
LIABILITIES				
CURRENT:				
Warrants payable.....	2,280,461	18,738	2,299,199	127,870
Accrued payroll.....	62,095	8,898	70,993	-
Health claims payable.....	-	-	-	3,135,195
Due to other governments.....	75,231	-	75,231	-
Liabilities due depositors.....	-	11,334	11,334	-
Accrued interest.....	338,094	44,483	382,577	-
Other liabilities.....	-	-	-	3,448
Compensated absences.....	181,000	26,000	207,000	-
Workers' compensation.....	-	-	-	18,000
Bonds payable.....	3,816,685	1,059,049	4,875,734	-
Total current liabilities.....	6,753,566	1,168,502	7,922,068	3,284,513
NONCURRENT:				
Due to other governments.....	143,952	-	143,952	-
Compensated absences.....	341,000	15,000	356,000	-
Workers' compensation.....	-	-	-	161,000
Net pension liability.....	247,233	35,311	282,544	-
Bonds payable.....	51,451,323	6,363,287	57,814,610	-
Total noncurrent liabilities.....	52,183,508	6,413,598	58,597,106	161,000
TOTAL LIABILITIES.....	58,937,074	7,582,100	66,519,174	3,445,513
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	385,551	55,066	440,617	-
Deferred inflows related to other postemployment benefits....	612,581	108,418	720,999	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	998,132	163,484	1,161,616	-
NET POSITION				
Net investment in capital assets.....	25,569,735	25,042,260	50,611,995	-
Unrestricted.....	1,420,089	8,732,893	10,152,982	26,668,209
TOTAL NET POSITION.....	\$ 26,989,824	\$ 33,775,153	\$ 60,764,977	\$ 26,668,209

See notes to basic financial statements.

Town of Andover, Massachusetts

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<u>OPERATING REVENUES:</u>				
Employee contributions.....	\$ -	\$ -	\$ -	\$ 11,160,862
Employer contributions.....	-	-	-	25,194,638
Charges for services.....	13,651,696	5,502,867	19,154,563	-
TOTAL OPERATING REVENUES	13,651,696	5,502,867	19,154,563	36,355,500
<u>OPERATING EXPENSES:</u>				
Cost of services and administration.....	3,975,714	2,657,254	6,632,968	-
Salaries and wages.....	3,321,930	819,078	4,141,008	-
Property and liability insurance.....	-	-	-	39,433
Depreciation.....	4,588,948	1,184,417	5,773,365	-
Employee benefits.....	(322,439) (A)	(169,253) (A)	(491,692)	35,553,636
TOTAL OPERATING EXPENSES.....	11,564,153	4,491,496	16,055,649	35,593,069
OPERATING INCOME (LOSS).....	2,087,543	1,011,371	3,098,914	762,431
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Investment income.....	51,774	67,004	118,778	925,634
Interest expense.....	(1,227,675)	(134,183)	(1,361,858)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(1,175,901)	(67,179)	(1,243,080)	925,634
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	911,642	944,192	1,855,834	1,688,065
CAPITAL CONTRIBUTIONS.....	1,176,794	-	1,176,794	-
<u>TRANSFERS:</u>				
Transfers in.....	457,664	64,870	522,534	-
CHANGE IN NET POSITION.....	2,546,100	1,009,062	3,555,162	1,688,065
NET POSITION AT BEGINNING OF YEAR.....	24,443,724	32,766,091	57,209,815	24,980,144
NET POSITION AT END OF YEAR.....	\$ 26,989,824	\$ 33,775,153	\$ 60,764,977	\$ 26,668,209

(A) Represents a decrease in the net pension liability and net other postemployment benefit liability/(asset), net of related deferred outflows and inflows of resources.

See notes to basic financial statements.

Town of Andover, Massachusetts

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 13,427,241	\$ 5,241,604	\$ 18,668,845	\$ 11,160,862
Receipts from interfund services provided.....	-	-	-	25,158,472
Payments to vendors.....	(3,829,452)	(2,662,023)	(6,491,475)	(39,433)
Payments to employees.....	(3,140,109)	(820,471)	(3,960,580)	-
Payments for interfund services used.....	(769,931)	(146,606)	(916,537)	(34,630,893)
NET CASH FROM OPERATING ACTIVITIES.....	5,687,749	1,612,504	7,300,253	1,649,008
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	457,664	64,870	522,534	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	15,925,880	1,175,000	17,100,880	-
Premium from the issuance of bonds and notes.....	643,500	238,500	882,000	-
Capital contributions.....	1,176,794	-	1,176,794	-
Acquisition and construction of capital assets.....	(10,518,089)	(1,935,738)	(12,453,827)	-
Principal payments on bonds and notes.....	(4,789,702)	(1,298,115)	(6,087,817)	-
Interest expense.....	(1,534,065)	(395,237)	(1,929,302)	-
Special assessments.....	-	386,311	386,311	-
NET CASH FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES.....	904,318	(1,829,279)	(924,961)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	51,774	67,004	118,778	925,634
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	7,101,505	(84,901)	7,016,604	2,574,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,136,903	7,676,255	9,813,158	27,502,914
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 9,238,408	\$ 7,591,354	\$ 16,829,762	\$ 30,077,556
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 2,087,543	\$ 1,011,371	\$ 3,098,914	\$ 762,431
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation.....	4,588,948	1,184,417	5,773,365	-
Deferred (outflows)/inflows related to pensions.....	819,827	110,751	930,578	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(838,666)	(232,074)	(1,070,740)	-
Due to other governments.....	(77,487)	-	(77,487)	-
Changes in assets and liabilities:				
Liens - user charges.....	(25,037)	(9,520)	(34,557)	-
User charges.....	(199,418)	(252,110)	(451,528)	-
Departmental and other.....	-	-	-	(36,166)
Warrants payable.....	223,749	(4,769)	218,980	61,608
Accrued payroll.....	18,821	1,607	20,428	-
Health claims payable.....	-	-	-	863,195
Liabilities due depositors.....	-	367	367	-
Other liabilities.....	-	-	-	(60)
Compensated absences.....	163,000	(3,000)	160,000	-
Workers' compensation.....	-	-	-	(2,000)
Net pension liability.....	(688,602)	(95,249)	(783,851)	-
Net other postemployment benefits.....	(384,929)	(99,287)	(484,216)	-
Total adjustments.....	3,600,206	601,133	4,201,339	886,577
NET CASH FROM OPERATING ACTIVITIES.....	\$ 5,687,749	\$ 1,612,504	\$ 7,300,253	\$ 1,649,008
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Acquisition of capital assets on account.....	\$ (2,056,490)	\$ -	\$ (2,056,490)	\$ -

See notes to basic financial statements.

Town of Andover, Massachusetts

**Fiduciary Funds
Statement of Fiduciary Net Position**

June 30, 2025

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents.....	\$ 29,177,907	\$ 133,913
Investments:		
Investments in Pension Reserve Investment Trust.....	323,612,267	-
U.S. treasuries.....	3,093,431	308,796
Government sponsored enterprises.....	942,356	71,485
Corporate bonds.....	2,816,856	252,535
Equity securities.....	18,805,354	574,806
Mutual funds.....	55,442,349	2,024,329
Fixed income mutual funds.....	2,231,782	132,435
Receivables:		
Due from other systems.....	63,169	-
TOTAL ASSETS	436,185,471	3,498,299
LIABILITIES		
Warrants payable.....	18,960	-
NET POSITION		
Restricted for pensions.....	397,816,727	-
Restricted for other postemployment benefits.....	38,349,784	-
Restricted for other purposes.....	-	3,498,299
TOTAL NET POSITION	\$ 436,166,511	\$ 3,498,299

(1) Pension as of December 31, 2024.

See notes to basic financial statements.

Town of Andover, Massachusetts

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2025

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Fund
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 9,725,242	\$ -
Employer contributions for other postemployment benefit payments....	5,406,650	-
Member contributions.....	5,132,194	-
Transfers from other systems.....	1,098,478	-
Retirement benefits - 3(8)c contributions from other systems.....	753,898	-
Retirement benefits - State COLA reimbursements.....	46,868	-
Private donations.....	-	31,037
	<u>22,163,330</u>	<u>31,037</u>
Net investment income:		
Investment income.....	37,866,412	287,375
Less: investment expense.....	(1,611,812)	-
	<u>36,254,600</u>	<u>287,375</u>
Net investment income.....	<u>36,254,600</u>	<u>287,375</u>
	<u>58,417,930</u>	<u>318,412</u>
<u>DEDUCTIONS:</u>		
Administration.....	423,196	-
Transfers to other systems.....	1,460,144	-
Retirement benefits - 3(8)c transfer to other systems.....	635,113	-
Retirement benefits and refunds.....	20,230,371	-
Other postemployment benefit payments.....	5,406,650	-
Educational scholarships.....	-	118,548
	<u>28,155,474</u>	<u>118,548</u>
TOTAL DEDUCTIONS.....	<u>28,155,474</u>	<u>118,548</u>
NET INCREASE (DECREASE) IN NET POSITION.....	30,262,456	199,864
NET POSITION AT BEGINNING OF YEAR.....	<u>405,904,055</u>	<u>3,298,435</u>
NET POSITION AT END OF YEAR.....	<u>\$ 436,166,511</u>	<u>\$ 3,498,299</u>

(1) Pension as of December 31, 2024.

See notes to basic financial statements.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Joint Venture

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Greater Lawrence Sanitary District (GLSD)

The Town is a member of the GLSD, which operates a wastewater treatment plant for five member communities. The GLSD is governed by a seven-member board consisting of one appointed representative from the Town. The Town is indirectly liable for the GLSD's debt and other expenditures and is assessed annually for its share of operating and capital costs. For the year ended June 30, 2025, the Town's assessment, net of community credits, totaled \$2,243,439. The Town does not have an equity interest in the GLSD. Separate financial statements may be obtained by writing to the Treasurer of the GLSD at 240 Charles Street, North Andover, MA 01845.

Greater Lawrence Technical School (GLTS)

The Town is a member of the GLTS, which serves the members' students seeking an education in academic, technical and agriculture studies. The GLTS is governed by a seven-member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the GLTS' debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town does not have an equity interest in the GLTS. For the year ended June 30, 2025, the Town's assessment totaled \$1,136,251. Separate financial statements may be obtained by writing to the Treasurer of the GLTS at 57 River Road, Andover, MA 01810.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Fund Financial Statements

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

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

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

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

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

The following fiduciary fund types are reported:

The *pension and other employee benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment benefits to eligible retirees and their beneficiaries.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

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. Fair Value Measurements

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

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

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

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

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported. Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Water and Sewer User Fees

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

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

Departmental and Other

Departmental and other receivables consist primarily of amounts due from ambulance charges and police and fire details. These receivables are recorded when the applicable service has been performed. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

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

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred, and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories represent supplies for government use and therefore are not capitalized in the accounts.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

The estimated useful lives of capital assets are as follows:

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

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

M. Net Position and Fund Balance

Government-Wide Financial Statements (Net Position)

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

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

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

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

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Pensions

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

P. Investment Income

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

Investment income from proprietary funds is maintained in the respective fund.

Q. Compensated Absences

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

T. Fund Deficit

Fund Financial Statements

The West Elementary School construction project, which is reported within the School Capital Projects major fund, reports a year-end fund deficit of \$3.3 million. This deficit will be funded through MSBA reimbursement proceeds and bond proceeds in future fiscal years.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

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

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

Custodial Credit Risk – Deposits

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

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

At year-end, the carrying amount of deposits totaled \$122,898,870 and the bank balance totaled \$125,969,795. Of the bank balance, \$3,106,724 was covered by Federal Depository Insurance, \$23,406,796 was covered by the Depositor's Insurance Fund, \$78,257,489 was covered by an Insured Cash Sweep, \$20,283,073 was collateralized, and \$915,713 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

At December 31, 2024, the carrying amount of deposits for the Retirement System totaled \$827,026 and the bank balance totaled \$842,915. The bank balance was covered by Federal Depository Insurance and none of the funds were exposed to custodial credit risk.

As of June 30, 2025, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. government agencies.....	\$ 5,357,779	\$ 2,481,650	\$ 2,624,081	\$ 252,048
Government sponsored enterprises.....	1,013,841	-	730,388	283,453
Corporate bonds.....	<u>3,069,391</u>	<u>64,472</u>	<u>2,344,617</u>	<u>660,302</u>
Total debt securities.....	9,441,011	<u>\$ 2,546,122</u>	<u>\$ 5,699,086</u>	<u>\$ 1,195,803</u>
<u>Other investments:</u>				
Equity securities.....	19,380,160			
Equity mutual funds.....	12,110,364			
Fixed income mutual funds.....	2,364,217			
Money market mutual funds.....	430,943			
MMDT.....	<u>32,651,152</u>			
Total investments.....	<u>\$ 76,377,847</u>			

As of December 31, 2024, the Retirement System had \$323,612,267 invested in PRIT, \$45,356,314 invested in equity mutual funds, \$27,572,032 in the MMDT cash portfolio, and \$404,879 in the PRIT cash fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town’s investments in U.S. government agencies, government sponsored enterprises, corporate bonds and equity securities have custodial credit risk exposure of \$28,821,171 because the related securities are uninsured, unregistered and held by the counterparty. The Town’s policy requires all securities not held directly by the Town to be held in the Town’s name and tax identification number by a third-party custodian approved by the Treasurer.

The System’s policy requires all securities not held directly by the System to be held in the System’s name. The System does not have any investments subject to custodial credit risk.

Interest Rate Risk

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 43 days.

The effective weighted duration rate for PRIT investments ranged from 2.98 to 14.57 years.

Credit Risk

The Town's investment policy limits investments in debt securities to U.S. Treasuries, U.S. Agency Obligations, and other investments in high-grade securities, a high concentration of which must be rated A and above. The Town's investments in MMDT and money market mutual funds were unrated. As of June 30, 2025, Standard & Poor's Investors Service rated the Town's investments of \$5,357,779 in U.S. government agencies and \$1,013,841 in government sponsored enterprises as AA+, and the Town's investments of \$3,069,391 in corporate bonds as follows:

<u>Quality Rating</u>	<u>Corporate Bonds</u>
AAA.....	\$ 61,139
AA+.....	301,059
AA.....	460,892
AA-.....	434,881
A+.....	300,620
A.....	617,128
A-.....	263,049
BBB+.....	339,608
BBB.....	<u>291,015</u>
Total.....	\$ <u>3,069,391</u>

The Retirement System has not adopted a formal policy related to Credit Risk and its \$323,612,267 of PRIT shares which were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town will minimize the concentration of credit risk by diversifying the investment portfolio in order to minimize the impact of potential losses from any one type of security or issuer. As of June 30, 2025, no more than 5 percent of the Town's investments are invested in any one issuer.

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Fair Value of Investments

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

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

The Town has the following recurring fair value measurements as of June 30, 2025:

Investment Type	June 30, 2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. government agencies.....	\$ 5,357,779	\$ -	\$ 5,357,779	\$ -
Government sponsored enterprises.....	1,013,841	-	1,013,841	-
Corporate bonds.....	3,069,391	-	3,069,391	-
Total debt securities.....	9,441,011	-	9,441,011	-
<u>Other investments:</u>				
Equity securities.....	19,380,160	19,380,160	-	-
Equity mutual funds.....	12,110,364	12,110,364	-	-
Fixed income mutual funds.....	2,364,217	2,364,217	-	-
Money market mutual funds.....	430,943	430,943	-	-
Total other investments.....	34,285,684	34,285,684	-	-
Total investments measured at fair value.....	43,726,695	\$ 34,285,684	\$ 9,441,011	\$ -
Investments measured at amortized cost:				
MMDT.....	32,651,152			
Total investments.....	\$ 76,377,847			

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

The Town’s investment in MMDT of \$32,651,152 is comprised of a cash portfolio which is valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

As of December 31, 2024, the System had \$45,356,314 invested in equity mutual funds. Equity mutual funds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

As of December 31, 2024, the System had \$27,572,032 invested in the MMDT cash portfolio, which is valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

As of December 31, 2024, the System had \$323,612,267 invested in PRIT and \$404,879 in the PRIT cash fund. PRIT investments are valued using the net asset value method as a practical expedient. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

As of June 30, 2025, receivables for the individual major and non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,914,750	\$ -	\$ 1,914,750
Tax liens.....	3,392,197	-	3,392,197
Motor vehicle and other excise taxes.....	813,018	(280,050)	532,968
Departmental and other.....	2,312,506	(1,014,597)	1,297,909
Intergovernmental.....	2,197,506	-	2,197,506
Total.....	\$ 10,629,977	\$ (1,294,647)	\$ 9,335,330

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

As of June 30, 2025, receivables for the water and sewer enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 4,142,402	\$ -	\$ 4,142,402
Sewer user charges.....	2,054,088	-	2,054,088
Water liens - user charges.....	49,449	-	49,449
Sewer liens - user charges.....	29,138	-	29,138
Sewer special assessments.....	1,613,847	-	1,613,847
Total.....	\$ 7,888,924	\$ -	\$ 7,888,924

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

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset type:</u>			
Real estate and personal property taxes....	\$ 1,497,202	\$ -	\$ 1,497,202
Tax liens.....	3,392,197	-	3,392,197
Motor vehicle and other excise taxes.....	532,968	-	532,968
Departmental and other.....	997,198	258,596	1,255,794
Tax foreclosures.....	259,092	-	259,092
Total.....	\$ 6,678,657	\$ 258,596	\$ 6,937,253

As of December 31, 2024, receivables for the System totaled \$63,169 and relate to member deductions and transfers from other systems.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 38,144,350	\$ -	\$ -	\$ 38,144,350
Construction in progress.....	14,113,733	12,653,165	(11,049,368)	15,717,530
Total capital assets not being depreciated.....	52,258,083	12,653,165	(11,049,368)	53,861,880
<u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	379,706,975	32,676,218	(150,694)	412,232,499
Machinery and equipment.....	19,064,092	260,628	(52,722)	19,271,998
Infrastructure.....	73,278,933	4,387,693	-	77,666,626
Vehicles.....	14,998,616	1,376,249	(504,204)	15,870,661
Library books.....	7,125,558	-	-	7,125,558
Total capital assets being depreciated.....	494,174,174	38,700,788	(707,620)	532,167,342
<u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(143,990,545)	(9,776,982)	150,694	(153,616,833)
Machinery and equipment.....	(14,523,640)	(790,527)	52,722	(15,261,445)
Infrastructure.....	(35,315,686)	(2,536,091)	-	(37,851,777)
Vehicles.....	(8,966,851)	(1,274,950)	504,204	(9,737,597)
Library books.....	(7,125,558)	-	-	(7,125,558)
Total accumulated depreciation.....	(209,922,280)	(14,378,550)	707,620	(223,593,210)
Total capital assets being depreciated, net.....	284,251,894	24,322,238	-	308,574,132
Total governmental activities capital assets, net.....	\$ 336,509,977	\$ 36,975,403	\$ (11,049,368)	\$ 362,436,012
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 266,017	\$ -	\$ -	\$ 266,017
Construction in progress.....	3,142,769	1,860,983	(2,554,440)	2,449,312
Total capital assets not being depreciated.....	3,408,786	1,860,983	(2,554,440)	2,715,329
<u>Capital assets being depreciated:</u>				
Buildings, building and land improvements.....	4,640,885	-	-	4,640,885
Machinery and equipment.....	4,862,010	1,659,532	(79,345)	6,442,197
Infrastructure.....	126,594,259	9,378,899	-	135,973,158
Vehicles.....	1,101,768	110,834	-	1,212,602
Total capital assets being depreciated.....	137,198,922	11,149,265	(79,345)	148,268,842
<u>Less accumulated depreciation for:</u>				
Buildings, building and land improvements.....	(1,074,574)	(312,379)	-	(1,386,953)
Machinery and equipment.....	(2,695,576)	(443,878)	79,345	(3,060,109)
Infrastructure.....	(71,433,193)	(3,696,416)	-	(75,129,609)
Vehicles.....	(785,880)	(136,275)	-	(922,155)
Total accumulated depreciation.....	(75,989,223)	(4,588,948)	79,345	(80,498,826)
Total capital assets being depreciated, net.....	61,209,699	6,560,317	-	67,770,016
Total water activities capital assets, net.....	\$ 64,618,485	\$ 8,421,300	\$ (2,554,440)	\$ 70,485,345

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,130	\$ -	\$ -	\$ 115,130
Construction in progress.....	97,406	1,818,135	-	1,915,541
Total capital assets not being depreciated.....	212,536	1,818,135	-	2,030,671
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	1,281,181	-	-	1,281,181
Machinery and equipment.....	1,527,355	117,603	-	1,644,958
Infrastructure.....	54,921,052	-	-	54,921,052
Vehicles.....	304,304	-	-	304,304
Total capital assets being depreciated.....	58,033,892	117,603	-	58,151,495
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(1,281,181)	-	-	(1,281,181)
Machinery and equipment.....	(784,056)	(86,033)	-	(870,089)
Infrastructure.....	(27,329,288)	(1,098,384)	-	(28,427,672)
Vehicles.....	(304,304)	-	-	(304,304)
Total accumulated depreciation.....	(29,698,829)	(1,184,417)	-	(30,883,246)
Total capital assets being depreciated, net.....	28,335,063	(1,066,814)	-	27,268,249
Total sewer activities capital assets, net.....	\$ 28,547,599	\$ 751,321	\$ -	\$ 29,298,920

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

Governmental Activities:

General government.....	\$ 463,204
Public safety.....	1,220,762
Education.....	6,985,630
Public works.....	3,175,482
Public facilities.....	1,881,407
Community services.....	584,976
Library.....	67,089

Total depreciation expense - governmental activities..... \$ 14,378,550

Business-Type Activities:

Water.....	\$ 4,588,948
Sewer.....	1,184,417

Total depreciation expense - business-type activities..... \$ 5,773,365

NOTE 5 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2025, the Town had an interfund receivable/payable of \$759,328 between the general fund and the nonmajor highway construction fund to meet temporary cash flow needs.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Interfund transfers for the year ended June 30, 2025, are summarized as follows:

Transfers Out:	Transfers In:						Total
	General fund	School capital projects	General capital projects	Nonmajor governmental funds	Water enterprise fund	Sewer enterprise fund	
General fund.....	\$ -	\$ 450,000	\$ 4,927,784	\$ 1,595,000	\$ 457,664	\$ 64,870	\$ 7,495,318 (1)
Nonmajor governmental funds.....	315,820	-	154,988	6,000	-	-	476,808 (2)
Total.....	<u>\$ 315,820</u>	<u>\$ 450,000</u>	<u>\$ 5,082,772</u>	<u>\$ 1,601,000</u>	<u>\$ 457,664</u>	<u>\$ 64,870</u>	<u>\$ 7,972,126</u>

- (1) Represents budgeted transfers from the general fund to capital project funds for capital articles, and transfers to the water and sewer enterprise funds for current year principal and interest payments on pension obligation bonds.
- (2) Represents budgeted transfers from other available funds to the general fund to fund the operating budget, a transfer from the cemetery trust fund to the Spring Grove cemetery maintenance capital project fund, and transfers between nonmajor capital project funds to reallocate resources.

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.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Details related to the short-term debt activity for the year ended June 30, 2025, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2024	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2025
Governmental Funds:							
BAN	Bond anticipation note.....	4.00%	12/19/25	\$ -	\$ 11,135,000	\$ (11,135,000)	\$ - (1)
Enterprise Funds:							
<i>Water Enterprise Fund</i>							
BAN	Bond anticipation note.....	0.00%	06/30/25	\$ -	\$ 1,397,865	\$ (1,397,865)	\$ -
BAN	Bond anticipation note.....	0.00%	06/30/25	-	475,880	(475,880)	-
Total Water Enterprise Fund.....				\$ -	\$ 1,873,745	\$ (1,873,745)	\$ -
<i>Sewer Enterprise Fund</i>							
BAN	Bond anticipation note.....	4.00%	12/19/25	\$ -	\$ 350,000	\$ (350,000)	\$ - (1)
Total Enterprise Fund.....				\$ -	\$ 2,223,745	\$ (2,223,745)	\$ -

(1) On December 18, 2025, \$11,485,000 of outstanding BANs were retired with bond proceeds totaling \$11,164,000 and bond premiums totaling \$321,000. These bond proceeds and premiums have been recognized in the Town’s financial statements and are reported as long-term debt as of June 30, 2025.

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, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

The Town has approved construction of the new West Elementary and Shawsheen Preschool Building project. The total project budget is \$168,066,623 and the Town has been approved for a maximum capital grant of \$46,063,216 from the Massachusetts School Building Authority (MSBA), leaving an anticipated Town share of \$122,003,407. As of June 30, 2025, the Town had received capital grant proceeds totaling \$38,903,211, which is equal to 45.85% of approved project costs submitted for reimbursement. The Town has also recorded a receivable totaling \$642,872 in the School Capital Projects fund for reimbursements that were not received by year-end.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Details related to the outstanding indebtedness at June 30, 2025, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2025
General obligation bonds payable:				
Public safety.....	2051	\$ 8,204,500	2.00 - 5.00	\$ 7,001,300 (1)
School projects.....	2055	170,225,400	2.00 - 5.00	133,633,500 (1)
Public works and public facilities.....	2050	51,908,650	2.00 - 5.00	38,746,500 (2)
Land acquisition.....	2052	8,485,000	2.00 - 5.00	6,155,000 (1)
Culture and recreation.....	2051	6,235,650	2.00 - 5.00	4,777,000 (1)
Pension obligation.....	2040	157,387,531	0.65 - 2.79	135,505,895 (3)
Subtotal general obligation bonds.....				<u>325,819,195</u>
From direct borrowings and placements:				
Public works and public facilities.....	2036	675,000	2.00	<u>406,778 (2)</u>
Add: Unamortized premium on bonds.....				<u>9,374,217</u>
Total Bonds Payable, net.....				<u>\$ 335,600,190</u>

(1) Debt issued to finance capital expenditures.

(2) Debt issued to finance capital expenditures, with the exception of \$9,876,778 for landfill closure.

(3) Debt issued to finance the Town's net pension liability.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Year	General Obligation Bonds			From Direct Borrowings and Placements			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2026.....	\$ 16,896,230	\$ 10,498,411	\$ 27,394,641	\$ 33,134	\$ 7,438	\$ 40,572	\$ 27,435,213
2027.....	16,836,624	10,129,263	26,965,887	33,854	6,764	40,618	27,006,505
2028.....	16,861,696	9,473,077	26,334,773	34,590	6,074	40,664	26,375,437
2029.....	16,655,575	8,957,399	25,612,974	35,341	5,370	40,711	25,653,685
2030.....	16,694,924	8,436,837	25,131,761	36,110	4,652	40,762	25,172,523
2031.....	16,662,081	7,915,337	24,577,418	36,894	3,916	40,810	24,618,228
2032.....	16,703,546	7,399,211	24,102,757	37,696	3,166	40,862	24,143,619
2033.....	16,699,549	6,881,515	23,581,064	38,516	2,400	40,916	23,621,980
2034.....	16,259,630	6,346,712	22,606,342	39,353	1,616	40,969	22,647,311
2035.....	15,294,019	5,825,150	21,119,169	40,208	818	41,026	21,160,195
2036.....	15,497,946	5,343,010	20,840,956	41,082	-	41,082	20,882,038
2037.....	15,825,720	4,843,717	20,669,437	-	-	-	20,669,437
2038.....	16,182,802	4,328,030	20,510,832	-	-	-	20,510,832
2039.....	16,343,961	3,805,546	20,149,507	-	-	-	20,149,507
2040.....	16,634,892	3,276,727	19,911,619	-	-	-	19,911,619
2041.....	5,980,000	2,892,101	8,872,101	-	-	-	8,872,101
2042.....	6,055,000	2,662,113	8,717,113	-	-	-	8,717,113
2043.....	6,140,000	2,439,051	8,579,051	-	-	-	8,579,051
2044.....	6,305,000	2,213,179	8,518,179	-	-	-	8,518,179
2045.....	6,125,000	1,987,303	8,112,303	-	-	-	8,112,303
2046.....	5,955,000	1,765,747	7,720,747	-	-	-	7,720,747
2047.....	6,160,000	1,540,116	7,700,116	-	-	-	7,700,116
2048.....	6,380,000	1,306,191	7,686,191	-	-	-	7,686,191
2049.....	5,825,000	1,077,613	6,902,613	-	-	-	6,902,613
2050.....	5,710,000	860,907	6,570,907	-	-	-	6,570,907
2051.....	5,420,000	650,474	6,070,474	-	-	-	6,070,474
2052.....	5,415,000	441,923	5,856,923	-	-	-	5,856,923
2053.....	5,165,000	177,175	5,342,175	-	-	-	5,342,175
2054.....	2,495,000	133,269	2,628,269	-	-	-	2,628,269
2055.....	640,000	13,600	653,600	-	-	-	653,600
Total.....	\$ 325,819,195	\$ 123,620,700	\$ 449,439,895	\$ 406,778	\$ 42,214	\$ 448,992	\$ 449,888,887

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2025	
General obligation bonds payable:					
Sewer projects.....	2046	\$ 17,956,000	1.30 - 5.00	\$ 6,343,200	(1)
Water projects.....	2054	49,153,600	2.00 - 5.00	37,437,500	(1)
Pension obligation - sewer.....	2040	945,051	0.65 - 2.79	813,660	(2)
Pension obligation - water.....	2040	6,667,418	0.65 - 2.79	5,740,445	(2)
Subtotal general obligation bonds.....				50,334,805	
From direct borrowings and placements:					
Water projects.....	2055	14,604,149	2.00	9,740,068	(1)
Add: Unamortized premium on bonds.....				2,615,471	
Total Bonds Payable, net.....				\$ 62,690,344	

- (1) Debt issued to finance capital expenditures.
- (2) Debt issued to finance the Town's net pension liability.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

Year	General Obligation Bonds			From Direct Borrowings and Placements			Grand Total
	Principal	Interest	Total	Principal	Interest	Total	
2026.....	\$ 3,878,770	\$ 2,084,950	\$ 5,963,720	\$ 627,799	\$ 99,040	\$ 726,839	\$ 6,690,559
2027.....	3,897,376	1,624,630	5,522,006	634,280	95,095	729,375	6,251,381
2028.....	3,438,304	1,462,562	4,900,866	354,450	88,432	442,882	5,343,748
2029.....	3,044,424	1,323,633	4,368,057	355,404	84,562	439,966	4,808,023
2030.....	2,915,075	1,197,177	4,112,252	317,615	81,064	398,679	4,510,931
2031.....	2,917,919	1,078,535	3,996,454	317,817	77,946	395,763	4,392,217
2032.....	2,896,454	962,390	3,858,844	318,018	74,830	392,848	4,251,692
2033.....	2,885,450	856,719	3,742,169	318,220	71,712	389,932	4,132,101
2034.....	2,650,370	755,100	3,405,470	318,422	68,594	387,016	3,792,486
2035.....	2,485,981	664,525	3,150,506	318,625	65,476	384,101	3,534,607
2036.....	2,487,054	585,880	3,072,934	318,828	62,358	381,186	3,454,120
2037.....	2,499,280	506,106	3,005,386	319,031	59,240	378,271	3,383,657
2038.....	2,507,198	426,351	2,933,549	319,235	56,122	375,357	3,308,906
2039.....	2,521,039	347,007	2,868,046	319,439	53,004	372,443	3,240,489
2040.....	2,430,111	269,145	2,699,256	319,643	49,886	369,529	3,068,785
2041.....	1,595,000	204,850	1,799,850	319,847	46,768	366,615	2,166,465
2042.....	1,530,000	153,050	1,683,050	320,052	43,650	363,702	2,046,752
2043.....	1,020,000	110,925	1,130,925	320,256	40,532	360,788	1,491,713
2044.....	1,000,000	78,075	1,078,075	320,462	37,414	357,876	1,435,951
2045.....	865,000	48,325	913,325	320,668	34,296	354,964	1,268,289
2046.....	110,000	32,600	142,600	320,874	31,178	352,052	494,652
2047.....	95,000	28,500	123,500	321,080	28,060	349,140	472,640
2048.....	95,000	24,700	119,700	321,286	24,942	346,228	465,928
2049.....	95,000	20,900	115,900	321,493	21,824	343,317	459,217
2050.....	95,000	17,100	112,100	321,701	18,708	340,409	452,509
2051.....	95,000	13,300	108,300	321,907	15,590	337,497	445,797
2052.....	95,000	9,500	104,500	183,404	12,472	195,876	300,376
2053.....	95,000	5,700	100,700	183,404	9,354	192,758	293,458
2054.....	95,000	1,900	96,900	183,404	6,236	189,640	286,540
2055.....	-	-	-	183,404	3,118	186,522	186,522
Total.....	\$ 50,334,805	\$ 14,894,135	\$ 65,228,940	\$ 9,740,068	\$ 1,461,503	\$ 11,201,571	\$ 76,430,511

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, 2025, the Town had the following authorized and unissued debt:

Purpose	Amount
Conservation and land acquisition.....	\$ 800,000
Town building and facilities.....	2,090,000
Other Town projects.....	1,960,000
West Elementary School construction.....	25,164,681
Other School projects.....	680,000
Pension obligation.....	10,000,000
Sewer projects.....	2,524,350
Water projects.....	10,800,000
Total.....	\$ 54,019,031

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Changes in Long-term Liabilities

During the year ended June 30, 2025, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 314,947,159	\$ 27,106,000	\$ (16,233,964)	\$ -	\$ -	\$ 325,819,195	\$ 16,896,230
Add: Unamortized premium on bonds.....	10,078,705	-	-	494,729	(1,199,217)	9,374,217	970,304
From direct borrowings and placements.....	439,207	-	(32,429)	-	-	406,778	33,134
Total bonds payable.....	325,465,071	27,106,000	(16,266,393)	494,729	(1,199,217)	335,600,190	17,899,668
Landfill closure.....	8,985,000	-	-	3,029,000	(8,098,000)	3,916,000	276,000
Compensated absences.....	5,849,000	-	-	13,317,000	(2,807,000)	16,359,000	4,678,000
Workers' compensation.....	181,000	-	-	16,000	(18,000)	179,000	18,000
Net pension liability.....	21,656,496	-	-	6,192,749	(22,115,457)	5,733,788	-
Net other postemployment benefits liability.....	91,910,213	-	-	12,495,929	(7,187,520)	97,218,622	-
Total governmental activity long-term liabilities.....	\$ 454,046,780	\$ 27,106,000	\$ (16,266,393)	\$ 35,545,407	\$ (41,425,194)	\$ 459,006,600	\$ 22,871,668
Business-Type Activities:							
Long-term bonds payable.....	\$ 44,385,842	\$ 9,375,000	\$ (3,426,037)	\$ -	\$ -	\$ 50,334,805	\$ 3,878,770
Add: Unamortized premium on bonds.....	2,396,176	-	-	529,513	(310,218)	2,615,471	369,165
From direct borrowings and placements.....	4,675,968	5,502,135	(438,035)	-	-	9,740,068	627,799
Total bonds payable.....	51,457,986	14,877,135	(3,864,072)	529,513	(310,218)	62,690,344	4,875,734
Due to other governments.....	296,670	-	-	-	(77,487)	219,183	75,231
Compensated absences.....	403,000	-	-	349,000	(189,000)	563,000	207,000
Net pension liability.....	1,066,395	-	-	372,357	(1,156,208)	282,544	-
Net other postemployment benefits liability (asset).....	(3,288,575)	-	-	816,181	(1,300,397)	(3,772,791)	-
Total business-type activity long-term liabilities.....	\$ 49,935,476	\$ 14,877,135	\$ (3,864,072)	\$ 2,067,051	\$ (3,033,310)	\$ 59,982,280	\$ 5,157,965

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above and include accrued liabilities totaling \$179,000 for workers' compensation. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund and the business-type activities long-term liabilities are generally liquidated by the applicable enterprise fund.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. The Town's highest level of decision-making authority is Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Select Board has by resolution authorized the Town Accountant to assign fund balance.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year-end, the balance of the general stabilization fund totaled \$7,536,144 and is reported as unassigned fund balance within the general fund. The Town also has stabilization funds for elder services, debt service, and pensions which totaled \$2,657, \$685,600, and \$2,048,389 at year-end, respectively. These stabilization funds are reported as components of committed fund balance.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

As of June 30, 2025, the governmental fund balances consisted of the following:

	General	School Capital Projects	General Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Cemetery.....	\$ -	\$ -	\$ -	\$ 890,918	\$ 890,918
Library.....	-	-	-	350,826	350,826
Town welfare/other.....	-	-	-	40,803	40,803
Restricted for:					
School capital projects.....	-	6,097,437	-	-	6,097,437
Other capital projects.....	-	-	12,823,435	-	12,823,435
Town grants/other revolving.....	-	-	-	8,700,492	8,700,492
School grants/other revolving.....	-	-	-	6,685,498	6,685,498
School lunch.....	-	-	-	2,740,849	2,740,849
Student activities.....	-	-	-	548,914	548,914
Gas disaster paving restoration.....	-	-	-	350,257	350,257
Road/drainage projects.....	-	-	-	6,519,947	6,519,947
Ledge road landfill.....	-	-	-	498,087	498,087
Conservation.....	-	-	-	394,953	394,953
Municipal buildings.....	-	-	-	1,837,092	1,837,092
Cemetery.....	-	-	-	861,309	861,309
Library.....	-	-	-	81,877	81,877
Town welfare/other.....	-	-	-	224,308	224,308
Debt service.....	154,274	-	-	-	154,274
Committed to:					
General government.....	176,759	-	-	-	176,759
Public safety.....	100	-	-	-	100
Community services.....	80,360	-	-	-	80,360
Elder services stabilization.....	2,657	-	-	-	2,657
Debt service stabilization.....	685,600	-	-	-	685,600
Pension stabilization.....	2,048,389	-	-	-	2,048,389
Assigned to:					
General government.....	219,209	-	-	-	219,209
Public safety.....	170,007	-	-	-	170,007
Education.....	1,797,931	-	-	-	1,797,931
Public works.....	423,709	-	-	-	423,709
Public facilities.....	71,678	-	-	-	71,678
Community services.....	21,434	-	-	-	21,434
Library.....	8,053	-	-	-	8,053
Property and liability insurance.....	12,898	-	-	-	12,898
Solid waste.....	406,861	-	-	-	406,861
Subsequent years' expenditures.....	10,000	-	-	-	10,000
Unassigned.....	36,955,205	(3,317,094)	-	-	33,638,111
Total Fund Balances.....	\$ 43,245,124	\$ 2,780,343	\$ 12,823,435	\$ 30,726,130	\$ 89,575,032

NOTE 9 – RISK FINANCING

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

The liability at June 30, 2025, totaled \$3,135,195. Changes in the reported liability since July 1, 2023, are as follows:

	Balance at Beginning of Year	Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2024.....	\$ 2,770,000	\$ 30,543,425	\$ (31,041,425)	\$ 2,272,000
2025.....	2,272,000	35,447,705	(34,584,510)	3,135,195

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, 2025, the amount of the liability for workers’ compensation claims totaled \$179,000. Changes in the reported liability since July 1, 2023, are as follows:

	Balance at Beginning of Year	Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2024.....	\$ 384,000	\$ 164,000	\$ (367,000)	\$ 181,000	\$ 18,000
2025.....	181,000	16,000	(18,000)	179,000	18,000

NOTE 10 – PENSION PLAN

Plan Description

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

and other employee benefit trust fund in the fiduciary fund financial statements. The System does not issue a publicly available financial report.

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2024. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$14,857,904 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$180,005,010 as of the measurement date.

Benefits Provided

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

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

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

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

At December 31, 2024, the ACRS membership consists of the following:

Active members.....	721
Inactive members.....	270
Retirees and beneficiaries currently receiving benefits.....	<u>596</u>
Total.....	<u><u>1,587</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ACRS a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2024, was \$7,689,813, or 15.95% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution was \$7,481,086 and its actual contribution totaled \$7,504,294.

Pension Liabilities

The components of the net pension liability for all participating member units at June 30, 2025, were as follows:

Total pension liability.....	\$ 406,383,510
Total pension plan's fiduciary net position.....	<u>(397,816,727)</u>
Total net pension liability.....	\$ <u><u>8,566,783</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	97.89%

At June 30, 2025, the Town reported a liability of \$6,016,332 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. Accordingly, update procedures were used to roll back the total pension liability to the

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

measurement date. At December 31, 2024, the Town’s proportion of the total pension liability was 98.80%, which decreased from its 98.98% proportion measured at December 31, 2023.

Pension Expense

For the year ended June 30, 2025, the Town recognized pension expense of \$6,565,106. At June 30, 2025, the Town reported deferred outflows of resources related to pensions and deferred inflows of resources related to pensions of \$1,249,995 and \$9,517,582, respectively.

The balances of deferred outflows and inflows at June 30, 2025, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 159,059	\$ (5,123,454)	\$ (4,964,395)
Difference between projected and actual earnings, net.....	-	(3,292,926)	(3,292,926)
Changes in assumptions.....	980,761	(965,847)	14,914
Changes in proportion and proportionate share of contributions.....	110,175	(135,355)	(25,180)
Total deferred outflows/(inflows) of resources.....	\$ 1,249,995	\$ (9,517,582)	\$ (8,267,587)

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

<u>Year ended June 30:</u>	
2026.....	\$ (1,501,643)
2027.....	2,870,082
2028.....	(6,599,145)
2029.....	(3,036,881)
Total.....	\$ (8,267,587)

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Actuarial Assumptions

The total pension liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2024:

Valuation date.....	January 1, 2025
Actuarial cost method.....	Entry Age Normal Cost Method
Inflation rate.....	2.50%
Projected salary increases.....	Group 1: 6.00% - 4.25%, based on service Group 4: 7.00% - 4.75%, based on service
Cost of living adjustments.....	3.00% of first \$14,000 of the annual retirement allowance
Mortality Rates.....	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2021. For disabled members, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2021.
Investment rate of return/Discount rate.....	5.75%, net of pension plan investment expense, including inflation.

Investment policy

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

The long-term expected rate of return on pension plan investments was selected by the Town. This rate is within a reasonable range for a 10-year expected return calculated using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return is added to the expected inflation rate to produce the long-term nominal expected rate of return.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2024, are as follows:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	31.00%	4.50%
International equity.....	11.00%	4.83%
Private equity.....	10.00%	7.80%
Real estate.....	18.00%	4.10%
Fixed income.....	25.00%	2.60%
Portfolio completion strategies.....	5.00%	4.10%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 5.75% as of December 31, 2024 and December 31, 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability calculated using the discount rate of 5.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease (4.75%)	Current Discount (5.75%)	1% Increase (6.75%)
The Town's proportionate share of the net pension liability/(asset).. \$	55,028,502	\$ 6,016,332	\$ (35,165,551)
ACRS total net pension liability/(asset)..... \$	58,173,528	\$ 8,566,783	\$ (33,114,684)

Town of Andover, Massachusetts
Notes to Basic Financial Statements
Year Ended June 30, 2025

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Summary of Significant Accounting Policies

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

Funding Policy

The contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes a variable portion of the cost of current-year premiums, which varies by plan, for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For the year ended June 30, 2025, the Town's average contribution rate was 6.14% of covered-employee payroll.

The Commonwealth of Massachusetts passed legislation that has allowed the Town to establish the postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2025, the Town pre-funded future OPEB liabilities totaling \$2,035,429 by contributing funds to the OPEB Trust in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2025, the net position of the OPEB trust fund totaled \$38,349,784. The Town

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

implemented a plan to begin funding OPEB in 2017, consisting of an initial contribution of 0.4% of general fund revenue with contributions increasing 2.5% per year in subsequent years. In addition, the incremental annual savings in the health insurance budget generated in accordance with the Select Board vote on April 5, 2016, to implement a comprehensive OPEB reform plan by changing the retiree premium contribution split, are appropriated to the OPEB Trust Fund.

Investment policy

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

Employees Covered by Benefit Terms

The following table represents the Plan’s membership at June 30, 2025:

Active members.....	1,334
Inactive members or beneficiaries receiving benefits.....	<u>823</u>
Total.....	<u><u>2,157</u></u>

Components of OPEB Liability

The following table represents the components of the Town’s net OPEB liability as of the June 30, 2025 measurement date. The Town’s net OPEB liability of \$93,445,831 is comprised of the \$97,218,622 net OPEB liability reported for governmental activities and the \$3,772,791 net OPEB asset reported for business-type activities.

Total OPEB liability.....	\$ 131,795,615
Less: OPEB plan's fiduciary net position.....	<u>(38,349,784)</u>
Net OPEB liability.....	<u><u>\$ 93,445,831</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	29.10%

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date that was updated to June 30, 2025, to be in accordance with GASB Statement #74 and GASB Statement #75:

Valuation date.....	July 1, 2023
Actuarial cost method.....	Entry Age Normal
Actuarial Value of Assets.....	Fair value of assets as of the measurement date.
Inflation.....	2.5% per year
Discount rate.....	6.25%, net of investment expense, including inflation
Healthcare cost trend rate.....	8.0% for 2024, decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical trend rate is reached in 2075.
Mortality rates	
Pre-Retirement Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2021.
Healthy Retiree Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2021.
Disabled Retiree Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2021.
Pre-Retirement Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.
Healthy Retiree Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.
Disabled Retiree Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments was 8.64%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2025, are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity-large cap.....	52.00%	4.02%
Domestic equity-small/mid cap.....	6.00%	4.59%
International equity-developed market.....	8.00%	4.81%
International equity-emerging market.....	3.00%	5.25%
Domestic fixed income.....	20.00%	2.61%
High yield fixed income.....	2.00%	3.71%
International fixed income.....	1.00%	2.23%
Alternatives.....	5.00%	4.36%
Real estate.....	2.00%	3.56%
Cash.....	1.00%	1.24%
Total.....	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total OPEB liability was 6.25% as of June 30, 2025 and 6.50% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024.....	\$ 121,957,195	\$ 33,335,557	\$ 88,621,638
Changes for the year:			
Service cost.....	3,103,944	-	3,103,944
Interest.....	7,953,258	-	7,953,258
Changes in assumptions.....	4,187,868	-	4,187,868
Benefit payments.....	(5,406,650)	(5,406,650)	-
Employer contributions.....	-	2,035,429	(2,035,429)
Employer contributions for OPEB payments.....	-	5,406,650	(5,406,650)
Net investment income.....	-	2,978,798	(2,978,798)
Net change.....	<u>9,838,420</u>	<u>5,014,227</u>	<u>4,824,193</u>
Balances at June 30, 2025.....	\$ <u>131,795,615</u>	\$ <u>38,349,784</u>	\$ <u>93,445,831</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.25%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate.

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB liability.....	\$ <u>112,582,219</u>	\$ <u>93,445,831</u>	\$ <u>77,896,643</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (7.00%)	Current Trend (8.00%)	1% Increase (9.00%)
Net OPEB liability.....	\$ <u>74,991,551</u>	\$ <u>93,445,831</u>	\$ <u>116,668,257</u>

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Town recognized OPEB expense of \$2,076,182. At June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ -	\$ (12,752,665)	\$ (12,752,665)
Changes in assumptions.....	3,560,942	(5,680,461)	(2,119,519)
Difference between projected and actual earnings, net.....	-	(2,017,867)	(2,017,867)
 Total deferred outflows/(inflows) of resources.....	 \$ 3,560,942	 \$ (20,450,993)	 \$ (16,890,051)

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

Measurement date year ended June 30:

2026.....	\$ (5,835,362)
2027.....	(5,392,052)
2028.....	(2,612,777)
2029.....	(2,248,232)
2030.....	(1,227,940)
Thereafter.....	426,312
 Total.....	 \$ (16,890,051)

Changes of Assumptions

The discount rate changed from 6.50% as of June 30, 2024 to 6.25% as of June 30, 2025. In addition, many other assumptions were updated in the July 1, 2023 valuation, including decrements, the salary scale, healthcare trend rates, mortality tables and mortality improvement rates, and percent retiring with covered spouses.

Changes in Plan Provisions

None.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

NOTE 12 – 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 operated a solid waste landfill that ceased operations in 1973. The Town has reflected \$3,916,000 as the estimate of the landfill closure liability at June 30, 2025. This amount is based on estimates of what it will cost to perform all future closure and post closure care. Actual costs may be higher or lower due to inflation/deflation, changes in technology, or changes in regulations.

NOTE 13 - FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Employee Benefit Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements.

Following are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Employee Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2024)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 28,803,937	\$ 373,970	\$ 29,177,907
Investments:			
Investments in Pension Reserve Investment Trust.....	323,612,267	-	323,612,267
U.S. treasuries.....	-	3,093,431	3,093,431
Government sponsored enterprises.....	-	942,356	942,356
Corporate bonds.....	-	2,816,856	2,816,856
Equity securities.....	-	18,805,354	18,805,354
Mutual funds.....	45,356,314	10,086,035	55,442,349
Fixed income mutual funds.....	-	2,231,782	2,231,782
Receivables:			
Due from other systems.....	63,169	-	63,169
TOTAL ASSETS.....	397,835,687	38,349,784	436,185,471
LIABILITIES			
Warrants payable.....	18,960	-	18,960
NET POSITION			
Restricted for pensions.....	397,816,727	-	397,816,727
Restricted for other postemployment benefits.....	-	38,349,784	38,349,784
TOTAL NET POSITION.....	\$ 397,816,727	\$ 38,349,784	\$ 436,166,511

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

In 2019, the Town received \$3,000,000 of mitigation funds, and that revenue was reported in the Gas Disaster Mitigation fund. The mitigation fees represent recovery of liabilities, claims, damages (including soft surface restoration), including but not limited to lost revenues, prior and future permit and inspection fees, depreciation and damage to municipal property. Any claims not covered by the Gas Disaster Reimbursement fund may be covered with these proceeds. During 2025 the Town spent the remaining \$25,590 of the Gas Disaster Mitigation proceeds.

NOTE 15 – TAX INCREMENT FINANCING AGREEMENTS

The Town enters into tax increment financing (TIF) agreements with local businesses under Chapter 40, Section 59 of the Massachusetts General Laws. Under this section of the law, localities may grant property tax exemptions of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The exemptions may be granted to any business located within or promising to relocate to the Town. For the fiscal year ended June 30, 2025, the Town exempted property taxes totaling \$457,410 under this program. The Town has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 16 – DUE TO OTHER GOVERNMENTS

On June 4, 2018, the Town entered into an intermunicipal agreement with the Town of North Reading, as approved by Massachusetts Session Laws, Chapter 109 of the Acts of 2018, in which the Town of Andover agreed to supply and sell potable water to the Town of North Reading, and the Town of North Reading agreed to receive and pay for potable water from the Town of Andover for a term of 99 years. Additionally, the Town of Andover agreed to reimburse the Town of North Reading for \$953,000 of costs already incurred to join the Massachusetts Water Resources Authority (MWRA). The reimbursement will be applied as credits to the Town of North Reading's water usage costs over the next 10 years. The discounted future cash flows related to these reimbursements totaling \$219,183 have been reported as a liability - due to other governments in the water enterprise fund as of June 30, 2025.

NOTE 17 – CHANGE WITHIN REPORTING ENTITY

The Town reviewed its fund classifications against the major fund reporting criteria established by Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and made the following determinations:

- The General Capital Projects fund, which was previously reported as a nonmajor governmental fund, meets the quantitative criteria for required major fund reporting in fiscal year 2025; this fund has been reclassified as a major governmental fund.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

- The Highway Construction, Gas Disaster Paving Restoration, Gas Disaster Mitigation and COVID-19 funds, which were previously reported as major governmental funds, do not meet the quantitative criteria for required major fund reporting in fiscal year 2025; these funds have been reclassified as nonmajor governmental funds.

The effects of these reclassifications are reflected in the accompanying financial statements in accordance with GASB Statement #100, Accounting Changes and Error Corrections. The reclassifications did not impact the total net position or change in net position of the Town. The beginning fund balances of the Highway Construction and COVID-19 funds were zero, therefore beginning fund balance adjustments were not necessary for these funds.

The impact of the fund reclassifications are as follows:

	Reporting Units Impacted by Adjustment to Beginning Fund Balances			
	General Capital Projects	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Nonmajor Governmental Funds
June 30, 2024, as previously reported.....	\$ -	\$ 641,772	\$ 25,590	\$ 38,702,941
Adjustment - change from nonmajor to major fund.....	10,558,903	-	-	(10,558,903)
Adjustment - change from major to nonmajor fund.....	-	(641,772)	(25,590)	667,362
June 30, 2024, as adjusted.....	\$ 10,558,903	\$ -	\$ -	\$ 28,811,400

NOTE 18 – COMMITMENTS

The Town has entered into or is planning to enter into contracts totaling \$5.5 million for various Town and School related capital projects and \$13.3 million for water and sewer infrastructure projects.

The Town has also entered into or is planning to enter into contracts totaling \$25.2 million for the West Elementary and Shawsheen Preschool building project. The construction project will reduce overcrowding, improve educational needs and improve the health and safety of students. The project is being funded through borrowing and a capital grant from the Massachusetts School Building Authority (See Note 7).

The general fund has various commitments outstanding for goods and services related to encumbrances and article carryforwards totaling \$3.4 million.

Town of Andover, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2025

NOTE 19 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs are audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 2025, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2025.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 5, 2026, which is the date the financial statements were available to be issued.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2025, the following GASB pronouncements were implemented:

- GASB Statement #101, *Compensated Absences*. The annual comprehensive financial report and related notes were updated to be in compliance with this pronouncement. The Town has evaluated the impact of implementing GASB 101 and determined that the effect on the financial statements is not material. As a result, the Town implemented GASB 101 at the beginning of the year.
- GASB Statement #102, *Certain Risk Disclosures*. The pronouncement did not impact the annual comprehensive financial report.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #103, *Financial Reporting Model Improvements*, which is required to be implemented in FY 2026.
- The GASB issued Statement #104, *Disclosure of Certain Capital Assets*, which is required to be implemented in FY 2026.
- The GASB issued Statement #105, *Subsequent Events*, which is required to be implemented in FY 2027.

Management is currently assessing the impact the implementation of these pronouncements will have on the annual comprehensive financial report.

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Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the Town's financial resources, except those required to be accounted for in another fund.

Town of Andover, Massachusetts

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Year Ended June 30, 2025

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 190,876,235	\$ 190,876,235	\$ 190,876,235	\$ 190,784,254	\$ -	\$ (91,981)
Tax liens.....	-	-	-	-	282,218	-	282,218
Motor vehicle and other excise taxes.....	-	5,822,661	5,822,661	5,822,661	7,024,038	-	1,201,377
Hotel/motel tax.....	-	1,175,066	1,175,066	1,175,066	2,300,979	-	1,125,913
Meals tax.....	-	694,260	694,260	694,260	820,333	-	126,073
Penalties and interest on taxes.....	-	480,000	480,000	480,000	544,199	-	64,199
Licenses and permits.....	-	2,391,502	2,391,502	2,391,502	5,131,597	-	2,740,095
Intergovernmental.....	-	17,381,262	17,381,262	17,381,262	17,581,719	-	200,457
Departmental and other.....	-	3,603,865	3,603,865	3,603,865	4,074,921	-	471,056
Investment income.....	-	222,552	222,552	222,552	4,363,991	-	4,141,439
TOTAL REVENUES.....	-	222,647,403	222,647,403	222,647,403	232,908,249	-	10,260,846
EXPENDITURES:							
Current:							
General government.....	374,512	11,544,039	11,918,551	11,810,550	11,261,314	395,968	153,268
Public safety.....	104,484	20,319,592	20,424,076	21,774,076	21,560,290	170,107	43,679
School department.....	1,295,333	102,761,421	104,056,754	104,056,791	102,152,715	1,797,931	106,145
Public works.....	480,074	6,399,049	6,879,123	7,308,446	6,739,063	423,709	145,674
Public facilities.....	90,759	4,287,620	4,378,379	4,378,378	4,209,392	71,678	97,308
Community services.....	135,046	2,472,840	2,607,886	2,607,886	2,486,170	101,794	19,922
Library.....	1,600	3,097,341	3,098,941	3,098,941	3,086,111	8,053	4,777
Reserve fund.....	-	321,323	321,323	1,323	-	-	1,323
Obligations:							
Technical schools.....	-	1,351,587	1,351,587	1,259,587	1,257,526	-	2,061
Solid waste.....	-	4,140,132	4,140,132	4,604,872	4,121,340	406,861	76,671
Pension benefits.....	-	7,481,089	7,481,089	7,481,089	7,481,086	-	3
Property and liability insurance.....	9,086	1,549,284	1,558,370	1,410,370	1,397,472	12,898	-
Employee benefits.....	5,084	27,182,603	27,187,687	27,187,687	27,187,687	-	-
State and county charges.....	-	775,741	775,741	775,741	836,586	-	(60,845)
Debt service:							
Principal.....	-	16,853,875	16,853,875	16,853,875	16,671,480	-	182,395
Interest.....	-	11,098,554	11,098,554	11,163,554	10,938,506	-	225,048
Total Debt service.....	-	27,952,429	27,952,429	28,017,429	27,609,986	-	407,443
TOTAL EXPENDITURES.....	2,495,978	221,636,090	224,132,068	225,773,166	221,386,738	3,388,999	997,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,495,978)	1,011,313	(1,484,665)	(3,125,763)	11,521,511	(3,388,999)	11,258,275
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	2,412,720	2,412,720	2,412,720	2,412,720	-	-
Transfers out.....	-	(3,424,033)	(3,424,033)	(7,372,817)	(7,772,817)	-	(400,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,011,313)	(1,011,313)	(4,960,097)	(5,360,097)	-	(400,000)
NET CHANGE IN FUND BALANCE.....	(2,495,978)	-	(2,495,978)	(8,085,860)	6,161,414	(3,388,999)	10,858,275
BUDGETARY FUND BALANCE, Beginning of year.....	-	27,080,551	27,080,551	27,080,551	27,080,551	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (2,495,978)	\$ 27,080,551	\$ 24,584,573	\$ 18,994,691	\$ 33,241,965	\$ (3,388,999)	\$ 10,858,275

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

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

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

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

Information has been presented for the last ten years in accordance with the GASB requirements.

Town of Andover, Massachusetts

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios Andover Contributory Retirement System

	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024
Total pension liability:										
Service cost.....	\$ 5,031,130	\$ 7,081,423	\$ 7,340,269	\$ 7,335,218	\$ 7,603,343	\$ 7,948,484	\$ 9,365,800	\$ 9,693,603	\$ 9,673,072	\$ 10,011,630
Interest.....	17,252,209	17,341,752	18,050,660	19,168,955	19,891,392	20,417,176	20,987,296	21,715,642	22,136,368	22,842,068
Changes in benefit terms.....	-	-	-	-	-	-	-	3,809,152	-	-
Differences between expected and actual experience.....	(3,424,106)	-	5,550,864	-	(3,612,969)	3,514,944	-	(6,073,267)	-	(3,679,573)
Changes in assumptions.....	46,223,459	-	1,364,706	-	-	21,673,079	-	(2,625,146)	-	-
Benefit payments.....	(11,937,955)	(12,610,258)	(14,068,711)	(14,748,757)	(15,677,852)	(15,950,860)	(17,347,990)	(18,679,897)	(19,685,124)	(20,064,718)
Net change in total pension liability.....	53,144,737	11,812,917	18,237,788	11,755,416	8,203,914	37,602,823	13,005,106	7,840,087	12,124,316	9,109,407
Total pension liability - beginning.....	223,546,999	276,691,736	288,504,653	306,742,441	318,497,857	326,701,771	364,304,594	377,309,700	385,149,787	397,274,103
Total pension liability - ending (a).....	\$ <u>276,691,736</u>	\$ <u>288,504,653</u>	\$ <u>306,742,441</u>	\$ <u>318,497,857</u>	\$ <u>326,701,771</u>	\$ <u>364,304,594</u>	\$ <u>377,309,700</u>	\$ <u>385,149,787</u>	\$ <u>397,274,103</u>	\$ <u>406,383,510</u>
Plan fiduciary net position:										
Employer contributions.....	\$ 8,007,778	\$ 8,665,124	\$ 9,517,477	\$ 10,464,565	\$ 11,518,013	\$ 13,916,779	\$ 13,029,857	\$ 6,414,037	\$ 7,297,628	\$ 7,689,813
Employer contributions from pension obligation bonds.....	-	-	-	-	-	-	164,181,784	-	-	-
Member contributions.....	3,659,016	3,785,282	3,853,001	4,025,018	4,148,777	4,254,604	4,874,338	4,974,671	4,735,769	4,770,528
Net investment income (loss).....	999,647	8,351,875	21,179,080	(5,622,341)	24,938,984	19,428,280	36,291,364	(33,132,433)	37,047,227	33,275,802
Administrative expenses.....	(262,001)	(286,066)	(267,297)	(295,608)	(286,739)	(297,036)	(318,808)	(349,613)	(351,901)	(423,196)
Retirement benefits and refunds.....	(11,937,955)	(12,610,258)	(14,068,711)	(14,748,757)	(15,677,852)	(15,950,860)	(17,347,990)	(18,679,897)	(19,685,124)	(20,064,718)
Net increase (decrease) in fiduciary net position.....	466,485	7,905,957	20,213,550	(6,177,123)	24,641,183	21,351,767	200,710,545	(40,773,235)	29,043,599	25,248,229
Fiduciary net position - beginning of year.....	115,185,770	115,652,255	123,558,212	143,771,762	137,594,639	162,235,822	183,587,589	384,298,134	343,524,899	372,568,498
Fiduciary net position - end of year (b).....	\$ <u>115,652,255</u>	\$ <u>123,558,212</u>	\$ <u>143,771,762</u>	\$ <u>137,594,639</u>	\$ <u>162,235,822</u>	\$ <u>183,587,589</u>	\$ <u>384,298,134</u>	\$ <u>343,524,899</u>	\$ <u>372,568,498</u>	\$ <u>397,816,727</u>
Net pension liability (asset) - ending (a)-(b).....	\$ <u>161,039,481</u>	\$ <u>164,946,441</u>	\$ <u>162,970,679</u>	\$ <u>180,903,218</u>	\$ <u>164,465,949</u>	\$ <u>180,717,005</u>	\$ <u>(6,988,434)</u>	\$ <u>41,624,888</u>	\$ <u>24,705,605</u>	\$ <u>8,566,783</u>
Plan fiduciary net position as a percentage of the total pension liability.....	41.80%	42.83%	46.87%	43.20%	49.66%	50.39%	101.85%	89.19%	93.78%	97.89%
Covered payroll.....	\$ 36,946,467	\$ 38,583,218	\$ 38,828,166	\$ 40,545,376	\$ 42,318,976	\$ 42,306,231	\$ 39,956,402	\$ 42,153,002	\$ 44,414,026	\$ 48,221,944
Net pension liability (asset) as a percentage of covered payroll.....	435.87%	427.51%	419.72%	446.17%	388.63%	427.16%	-17.49%	98.75%	55.63%	17.77%
Discount Rate used for the ending net pension liability (asset).....	6.25%	6.25%	6.25%	6.25%	6.25%	5.75%	5.75%	5.75%	5.75%	5.75%

See notes to required supplementary information.

Town of Andover, Massachusetts

Schedule of Contributions Andover Contributory Retirement System

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2024.....	\$ 7,666,605	\$ (7,689,813)	\$ (23,208)	\$ 48,221,944	15.95%
December 31, 2023.....	7,297,628	(7,297,628)	-	44,414,026	16.43%
December 31, 2022.....	6,414,037	(6,414,037)	-	42,153,002	15.22%
December 31, 2021.....	13,029,857	(177,211,641)	(164,181,784)	39,956,402	443.51%
December 31, 2020.....	12,025,710	(13,916,779)	(1,891,069)	42,306,231	32.90%
December 31, 2019.....	11,218,013	(11,518,013)	(300,000)	42,318,976	27.22%
December 31, 2018.....	10,464,565	(10,464,565)	-	40,545,376	25.81%
December 31, 2017.....	9,513,240	(9,517,477)	(4,237)	38,828,166	24.51%
December 31, 2016.....	8,648,400	(8,665,124)	(16,724)	38,583,218	22.46%
December 31, 2015.....	8,007,778	(8,007,778)	-	36,946,467	21.67%

See notes to required supplementary information.

Town of Andover, Massachusetts

**Schedule of Investment Returns
Andover Contributory Retirement System**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2024.....	9.00%
December 31, 2023.....	10.96%
December 31, 2022.....	-8.74%
December 31, 2021.....	19.83%
December 31, 2020.....	12.12%
December 31, 2019.....	18.43%
December 31, 2018.....	-3.94%
December 31, 2017.....	17.63%
December 31, 2016.....	7.37%
December 31, 2015.....	0.87%

See notes to required supplementary information.

Pension Plan Schedules – Town

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

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

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

Information has been presented for the last ten years in accordance with GASB requirements.

Town of Andover, Massachusetts

Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset) Andover Contributory Retirement System

Year	Proportion of the total pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability	Discount Rate used for the net pension liability (asset)
December 31, 2024.....	98.80%	\$ 6,016,332	\$ 47,529,324	12.66%	97.89%	5.75%
December 31, 2023.....	98.98%	22,722,891	43,848,375	51.82%	93.78%	5.75%
December 31, 2022.....	98.98%	39,524,218	41,572,121	95.07%	89.19%	5.75%
December 31, 2021.....	98.86%	(9,274,101)	39,467,262	-23.50%	101.85%	5.75%
December 31, 2020.....	98.67%	178,310,999	41,749,908	427.09%	50.39%	5.75%
December 31, 2019.....	99.04%	162,887,587	41,766,058	390.00%	49.66%	6.25%
December 31, 2018.....	99.11%	179,291,578	40,024,710	447.95%	43.20%	6.25%
December 31, 2017.....	99.11%	161,518,798	38,327,526	421.42%	46.87%	6.25%
December 31, 2016.....	99.23%	163,674,229	38,195,809	428.51%	42.83%	6.25%
December 31, 2015.....	99.23%	159,797,403	36,575,628	436.90%	41.80%	6.25%

See notes to required supplementary information.

Town of Andover, Massachusetts

Schedule of the Town's Contributions Andover Contributory Retirement System

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2025.....	\$ 7,481,086	\$ (7,504,294)	\$ (23,208)	\$ 48,479,910	15.48%
June 30, 2024.....	7,124,844	(7,124,844)	-	44,725,343	15.93%
June 30, 2023.....	6,253,956	(6,253,956)	-	42,403,563	14.75%
June 30, 2022.....	12,897,390	(177,079,174)	(164,181,784)	40,256,607	439.88%
June 30, 2021.....	11,910,301	(13,801,370)	(1,891,069)	42,584,906	32.41%
June 30, 2020.....	11,110,355	(11,410,355)	(300,000)	42,601,379	26.78%
June 30, 2019.....	10,371,338	(10,371,338)	-	40,825,204	25.40%
June 30, 2018.....	9,428,488	(9,449,449)	(20,961)	39,094,077	24.17%
June 30, 2017.....	8,581,696	(8,581,696)	-	38,959,725	22.03%
June 30, 2016.....	7,929,291	(7,929,291)	-	37,307,141	21.25%

See notes to required supplementary information.

Town of Andover, Massachusetts

Schedule of the Special Funding Amounts of the Net Pension Liability Massachusetts Teachers' Retirement System

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2025.....	\$ 180,005,010	\$ 14,857,904	61.45%
2024.....	187,437,949	17,501,107	58.48%
2023.....	195,060,100	16,045,596	57.75%
2022.....	166,797,004	13,384,765	62.03%
2021.....	211,724,479	26,151,006	50.67%
2020.....	188,782,964	22,893,211	53.95%
2019.....	176,905,548	17,926,816	54.84%
2018.....	168,589,392	17,596,166	54.25%
2017.....	162,869,117	16,613,718	52.73%
2016.....	152,894,310	12,401,089	55.38%

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available. Currently, nine years of information is presented on each schedule.

Town of Andover, Massachusetts

Schedule of the Changes in the Town's Net OPEB Liability and Related Ratios Other Postemployment Benefit Plan

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
Total OPEB Liability									
Service Cost.....	\$ 5,605,421	\$ 4,186,467	\$ 4,451,353	\$ 3,457,542	\$ 3,581,728	\$ 3,689,179	\$ 3,380,787	\$ 3,482,210	\$ 3,103,944
Interest.....	9,299,269	7,514,930	8,448,402	8,487,889	7,996,530	8,408,845	7,708,876	8,077,888	7,953,258
Changes of benefit terms.....	(42,080,306)	-	(10,540,194)	-	-	-	-	-	-
Differences between expected and actual experience.....	-	10,865,917	-	(6,118,570)	-	(13,220,553)	-	(12,436,579)	-
Changes of assumptions.....	(6,594,974)	1,599,726	(12,768,804)	(9,465,966)	-	(5,327,020)	-	(5,784,709)	4,187,868
Benefit payments.....	(4,647,800)	(4,923,643)	(4,985,511)	(4,517,623)	(4,831,167)	(4,796,414)	(5,020,021)	(5,061,741)	(5,406,650)
Net change in total OPEB liability.....	(38,418,390)	19,243,397	(15,394,754)	(8,156,728)	6,747,091	(11,245,963)	6,069,642	(11,722,931)	9,838,420
Total OPEB liability - beginning.....	174,835,831	136,417,441	155,660,838	140,266,084	132,109,356	138,856,447	127,610,484	133,680,126	121,957,195
Total OPEB liability - ending (a).....	<u>\$ 136,417,441</u>	<u>\$ 155,660,838</u>	<u>\$ 140,266,084</u>	<u>\$ 132,109,356</u>	<u>\$ 138,856,447</u>	<u>\$ 127,610,484</u>	<u>\$ 133,680,126</u>	<u>\$ 121,957,195</u>	<u>\$ 131,795,615</u>
Plan fiduciary net position									
Employer contributions.....	\$ 1,502,579	\$ 1,648,721	\$ 1,811,888	\$ 1,971,134	\$ 2,041,503	\$ 1,837,228	\$ 1,901,935	\$ 1,978,394	\$ 2,035,429
Employer contributions for OPEB payments.....	4,647,800	4,923,643	4,985,511	4,517,623	4,831,167	4,796,414	5,020,021	5,061,741	5,406,650
Other contributions.....	-	-	7,060	11,433	-	-	-	-	-
Net investment income (loss).....	730,782	636,085	720,254	503,402	4,269,120	(315,463)	3,086,217	3,558,370	2,978,798
Benefit payments.....	(4,647,800)	(4,923,643)	(4,985,511)	(4,517,623)	(4,831,167)	(4,796,414)	(5,020,021)	(5,061,741)	(5,406,650)
Net change in plan fiduciary net position.....	2,233,361	2,284,806	2,539,202	2,485,969	6,310,623	1,521,765	4,988,152	5,536,764	5,014,227
Plan fiduciary net position - beginning of year.....	5,434,915	7,668,276	9,953,082	12,492,284	14,978,253	21,288,876	22,810,641	27,798,793	33,335,557
Plan fiduciary net position - end of year (b).....	<u>\$ 7,668,276</u>	<u>\$ 9,953,082</u>	<u>\$ 12,492,284</u>	<u>\$ 14,978,253</u>	<u>\$ 21,288,876</u>	<u>\$ 22,810,641</u>	<u>\$ 27,798,793</u>	<u>\$ 33,335,557</u>	<u>\$ 38,349,784</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 128,749,165</u>	<u>\$ 145,707,756</u>	<u>\$ 127,773,800</u>	<u>\$ 117,131,103</u>	<u>\$ 117,567,571</u>	<u>\$ 104,799,843</u>	<u>\$ 105,881,333</u>	<u>\$ 88,621,638</u>	<u>\$ 93,445,831</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	5.62%	6.39%	8.91%	11.34%	15.33%	17.88%	20.80%	27.33%	29.10%
Covered-employee payroll.....	\$ 91,219,966	\$ 96,676,019	\$ 101,528,686	\$ 106,084,030	\$ 102,030,165	\$ 104,070,768	\$ 107,162,203	\$ 117,469,204	\$ 121,143,372
Net OPEB liability as a percentage of covered-employee payroll.....	141.14%	150.72%	125.85%	110.41%	115.23%	100.70%	98.80%	75.44%	77.14%
Discount rate used for the net OPEB liability at year end.....	5.44%	5.36%	6.00%	6.00%	6.00%	6.00%	6.00%	6.50%	6.25%

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

See notes to required supplementary information.

Town of Andover, Massachusetts

Schedule of the Town's Contributions Other Postemployment Benefit Plan

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2025.....	\$ 8,497,232	\$ (7,442,079)	\$ 1,055,153	\$ 121,143,372	6.14%
June 30, 2024.....	9,527,556	(7,040,135)	2,487,421	117,469,204	5.99%
June 30, 2023.....	8,685,000	(6,921,956)	1,763,044	107,162,203	6.46%
June 30, 2022.....	8,280,000	(6,633,642)	1,646,358	104,070,768	6.37%
June 30, 2021.....	8,826,000	(6,872,670)	1,953,330	102,030,165	6.74%
June 30, 2020.....	9,610,000	(6,500,190)	3,109,810	106,084,030	6.13%
June 30, 2019.....	10,148,465	(6,804,459)	3,344,006	101,528,686	6.70%
June 30, 2018.....	9,967,599	(6,572,364)	3,395,235	96,676,019	6.80%
June 30, 2017.....	9,437,501	(6,150,379)	3,287,122	91,219,966	6.74%

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

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

See notes to required supplementary information.

Town of Andover, Massachusetts

**Schedule of Investment Returns
Other Postemployment Benefit Plan**

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2025.....	8.64%
June 30, 2024.....	12.31%
June 30, 2023.....	12.92%
June 30, 2022.....	-1.40%
June 30, 2021.....	26.21%
June 30, 2020.....	3.65%
June 30, 2019.....	6.48%
June 30, 2018.....	7.21%
June 30, 2017.....	12.10%

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

See notes to required supplementary information.

Town of Andover, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2025

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. Town Meeting has authorized appropriations at the functional expenditure classification level. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2025 approved budget authorized approximately \$227.6 million in appropriations and other amounts to be raised, including \$2.5 million of encumbrances and continuing appropriations carried forward from the prior year. An additional \$5.6 million in subsequent appropriations were approved in the final budget. These supplemental appropriations were mainly related to capital projects and were primarily funded with free cash.

The Municipal Relief Act in accordance with MGL Chapter 44, Section 33B, allows the Board, with the concurrence of the Finance Committee, to transfer appropriations during the last two months of the year or during the first 15 days of the new year. The Town Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

Town of Andover, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2025

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2025, is presented below:

Net change in fund balance - budgetary basis.....	\$ 6,161,414
<u>Perspective differences:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	1,335,140
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	107,406
Net change in recording tax refunds payable.....	(79,000)
Recognition of revenue for on-behalf payments.....	14,857,904
Recognition of expenditures for on-behalf payments.....	<u>(14,857,904)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 7,524,960</u>

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

The Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios includes the detailed changes in the system’s total pension liability (asset), changes in the system’s net position, and the ending net pension liability. It also demonstrates the plan’s net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the “total appropriation”. The appropriations are allocated amongst employers based on an actuarial valuation.

Town of Andover, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2025

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – Town of Andover

A. Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset)

The Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset) details the allocated percentage of the total pension liability (asset), the proportionate share of the net pension liability (asset), and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability (asset) and the net pension liability (asset) as a percentage of covered payroll.

B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town on an actuarial basis.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes of Assumptions

None.

E. Changes in Plan Provisions

None.

Town of Andover, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2025

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit Plan

A. The Schedule of Changes in the Town’s Net Other Postemployment Benefit Liability and Related Ratios

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

B. Schedule of the Town’s Contributions

The Schedule of the Town’s Contributions includes the Town’s annual required contribution to the Plan, along with the contributions made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2023
Actuarial cost method.....	Entry Age Normal
Actuarial Value of Assets.....	Fair value of assets as of the measurement date.
Inflation.....	2.5% per year
Discount rate.....	6.25%, net of investment expense, including inflation
Healthcare cost trend rate.....	8.0% for 2024, decreasing 0.5% per year to 6%, then grading down to an ultimate trend rate of 4%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical trend rate is reached in 2075.

Town of Andover, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2025

Mortality rates

Pre-Retirement Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2021.
Healthy Retiree Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2021.
Disabled Retiree Mortality - Nonteachers.....	RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2021.
Pre-Retirement Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Employee Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.
Healthy Retiree Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.
Disabled Retiree Mortality - Teachers.....	PUB-2010 Teachers Headcount-Weighted Retiree Mortality Table, base year 2010, projected with generational mortality improvement using Scale MP-2021.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes of Assumptions

The discount rate changed from 6.50% as of June 30, 2024 to 6.25% as of June 30, 2025. In addition, many other assumptions were updated in the July 1, 2023 valuation, including decrements, the salary scale, healthcare trend rates, mortality tables and mortality improvement rates, and percent retiring with covered spouses.

E. Changes in Plan Provisions

None.

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

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

School Grants/Other Revolving – 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 – this fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Guarantee Deposits – this fund is used to account for the performance bonds held by the Town.

Student Activity – this fund is used to account for all student activities and is funded through user charges.

COVID-19 – this fund is used to account for funds received from federal and state governments to assist in funding additional costs associated with the COVID-19 pandemic.

Highway Construction – this fund is used to account for roadway improvements funded through the Massachusetts Department of Transportation.

Gas Disaster Paving Restoration – this fund is used to account for the settlement revenue Columbia Gas was ordered to pay the Town for costs associated with repaving and restoring all streets, roadways, sidewalks and other areas affected by the disaster.

Gas Disaster Mitigation – this fund is used to account for the mitigation fees received by the Town from Columbia Gas as a result of the disaster.

Capital Projects Funds

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

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

Ledge Road Landfill – This fund is used to account for the post-closure costs associated with the Ledge Road landfill.

Conservation – 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.

Permanent Funds

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

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

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

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

Town of Andover, Massachusetts

Nonmajor Governmental Funds Combining Balance Sheet

June 30, 2025

	Special Revenue Funds								
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Guarantee Deposits	Student Activity Fund	COVID-19 Fund	Highway Construction	Gas Disaster Paving Restoration	Subtotal
ASSETS									
Cash and cash equivalents.....	\$ 9,659,233	\$ 6,927,730	\$ 2,742,949	\$ 194,103	\$ 548,914	\$ 3,568,147	\$ -	\$ 350,786	\$ 23,991,862
Investments.....	365,430	-	-	312,985	-	-	-	-	678,415
Receivables, net of uncollectibles:									
Departmental and other.....	264,545	-	-	-	-	-	-	-	264,545
Intergovernmental.....	-	-	-	-	-	-	1,554,634	-	1,554,634
TOTAL ASSETS.....	\$ 10,289,208	\$ 6,927,730	\$ 2,742,949	\$ 507,088	\$ 548,914	\$ 3,568,147	\$ 1,554,634	\$ 350,786	\$ 26,489,456
LIABILITIES									
Warrants payable.....	\$ 543,648	\$ 127,140	\$ 2,100	\$ 5,816	\$ -	\$ 391,535	\$ 795,306	\$ 529	\$ 1,866,074
Accrued payroll.....	172,034	115,092	-	-	-	-	-	-	287,126
Due to other funds.....	-	-	-	-	-	-	759,328	-	759,328
Other liabilities.....	614,438	-	-	501,272	-	-	-	-	1,115,710
Unearned Revenue.....	-	-	-	-	-	3,176,612	-	-	3,176,612
TOTAL LIABILITIES.....	1,330,120	242,232	2,100	507,088	-	3,568,147	1,554,634	529	7,204,850
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue.....	258,596	-	-	-	-	-	-	-	258,596
FUND BALANCES									
Nonspendable.....	-	-	-	-	-	-	-	-	-
Restricted.....	8,700,492	6,685,498	2,740,849	-	548,914	-	-	350,257	19,026,010
TOTAL FUND BALANCES.....	8,700,492	6,685,498	2,740,849	-	548,914	-	-	350,257	19,026,010
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 10,289,208	\$ 6,927,730	\$ 2,742,949	\$ 507,088	\$ 548,914	\$ 3,568,147	\$ 1,554,634	\$ 350,786	\$ 26,489,456

Town of Andover, Massachusetts
Nonmajor Governmental Funds
Combining Balance Sheet (Continued)

June 30, 2025

	Capital Project Funds					Permanent Funds				Total Nonmajor Governmental Funds
	Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	Subtotal	Cemetery	Library	Town Welfare/ Other	Subtotal	
ASSETS										
Cash and cash equivalents.....	\$ 6,528,669	\$ 617,673	\$ 394,953	\$ 1,872,872	\$ 9,414,167	\$ 1,724,815	\$ 18,133	\$ 63,614	\$ 1,806,562	\$ 35,212,591
Investments.....	-	-	-	-	-	27,412	414,570	201,497	643,479	1,321,894
Receivables, net of uncollectibles:										
Departmental and other.....	-	-	-	-	-	-	-	-	-	264,545
Intergovernmental.....	-	-	-	-	-	-	-	-	-	1,554,634
TOTAL ASSETS.....	\$ 6,528,669	\$ 617,673	\$ 394,953	\$ 1,872,872	\$ 9,414,167	\$ 1,752,227	\$ 432,703	\$ 265,111	\$ 2,450,041	\$ 38,353,664
LIABILITIES										
Warrants payable.....	\$ 8,722	\$ 119,586	\$ -	\$ 35,780	\$ 164,088	\$ -	\$ -	\$ -	\$ -	\$ 2,030,162
Accrued payroll.....	-	-	-	-	-	-	-	-	-	287,126
Due to other funds.....	-	-	-	-	-	-	-	-	-	759,328
Other liabilities.....	-	-	-	-	-	-	-	-	-	1,115,710
Unearned Revenue.....	-	-	-	-	-	-	-	-	-	3,176,612
TOTAL LIABILITIES.....	8,722	119,586	-	35,780	164,088	-	-	-	-	7,368,938
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue.....	-	-	-	-	-	-	-	-	-	258,596
FUND BALANCES										
Nonspendable.....	-	-	-	-	-	890,918	350,826	40,803	1,282,547	1,282,547
Restricted.....	6,519,947	498,087	394,953	1,837,092	9,250,079	861,309	81,877	224,308	1,167,494	29,443,583
TOTAL FUND BALANCES.....	6,519,947	498,087	394,953	1,837,092	9,250,079	1,752,227	432,703	265,111	2,450,041	30,726,130
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 6,528,669	\$ 617,673	\$ 394,953	\$ 1,872,872	\$ 9,414,167	\$ 1,752,227	\$ 432,703	\$ 265,111	\$ 2,450,041	\$ 38,353,664

Town of Andover, Massachusetts

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2025

	Special Revenue Funds								
	Town Grants/ Other Revolving	School Grants/ Other Revolving	School Lunch	Student Activity Fund	COVID-19 Fund	Highway Construction	Gas Disaster Paving Restoration	Gas Disaster Mitigation	Subtotal
REVENUES:									
Charges for services.....	\$ 895,018	\$ -	\$ -	\$ 894,966	-	-	-	-	\$ 1,789,984
Intergovernmental.....	2,281,739	6,844,293	3,166,151	-	-	2,317,646	-	-	14,609,829
Intergovernmental - COVID-19 Relief.....	-	-	-	-	1,616,242	-	-	-	1,616,242
Departmental and other.....	5,646,431	1,744,814	508,067	-	-	-	-	-	7,899,312
Contributions and donations.....	336,849	13,335	-	-	-	-	-	-	350,184
Investment income.....	266,482	-	-	-	-	-	-	-	266,482
Miscellaneous.....	54,947	-	-	-	-	-	-	-	54,947
TOTAL REVENUES.....	9,481,466	8,602,442	3,674,218	894,966	1,616,242	2,317,646	-	-	26,586,980
EXPENDITURES:									
Current:									
General government.....	2,638,483	-	-	-	554,958	-	-	-	3,193,441
Public safety.....	2,371,327	-	-	-	-	-	-	-	2,371,327
Education.....	-	8,966,569	4,177,041	938,113	253,104	-	-	-	14,334,827
Public works.....	375,360	-	-	-	427,596	2,317,646	-	-	3,120,602
Public facilities.....	378,176	-	-	-	312,184	-	-	-	690,360
Community services.....	3,528,197	-	-	-	68,400	-	-	-	3,596,597
Library.....	118,747	-	-	-	-	-	-	-	118,747
Capital outlay.....	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES.....	9,410,290	8,966,569	4,177,041	938,113	1,616,242	2,317,646	-	-	27,425,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	71,176	(364,127)	(502,823)	(43,147)	-	-	-	-	(838,921)
OTHER FINANCING SOURCES (USES):									
Issuance of bonds.....	-	-	-	-	-	-	-	-	-
Premium from issuance of bonds.....	729	-	-	-	-	-	-	-	729
Transfers in.....	-	-	-	-	-	-	-	-	-
Transfers out.....	(315,820)	-	-	-	-	-	-	-	(315,820)
TOTAL OTHER FINANCING SOURCES (USES).....	(315,091)	-	-	-	-	-	-	-	(315,091)
EXTRAORDINARY ITEM:									
Gas disaster expenditures.....	-	-	-	-	-	-	(291,515)	(25,590)	(317,105)
NET CHANGE IN FUND BALANCES.....	(243,915)	(364,127)	(502,823)	(43,147)	-	-	(291,515)	(25,590)	(1,471,117)
FUND BALANCES AT 6/30/24, AS PREVIOUSLY REPORTED.....	8,944,407	7,049,625	3,243,672	592,061	-	-	-	-	19,829,765
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND...	-	-	-	-	-	-	-	-	-
ADJUSTMENT - CHANGE FROM MAJOR TO NONMAJOR FUND...	-	-	-	-	-	-	641,772	25,590	667,362
FUND BALANCES AT 6/30/24, AS ADJUSTED.....	8,944,407	7,049,625	3,243,672	592,061	-	-	641,772	25,590	20,497,127
FUND BALANCES AT END OF YEAR.....	\$ 8,700,492	\$ 6,685,498	\$ 2,740,849	\$ 548,914	\$ -	\$ -	\$ 350,257	\$ -	\$ 19,026,010

Town of Andover, Massachusetts

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended June 30, 2025

	Capital Project Funds					Permanent Funds				Total Nonmajor Governmental Funds	
	Road/ Drainage Projects	Ledge Road Landfill	Conservation	Municipal Buildings	General Capital Projects	Subtotal	Cemetery	Library	Town Welfare/ Other		Subtotal
REVENUES:											
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,789,984
Intergovernmental.....	-	-	-	-	-	-	-	-	-	-	14,609,829
Intergovernmental - COVID-19 Relief.....	-	-	-	-	-	-	-	-	-	-	1,616,242
Departmental and other.....	-	-	-	-	-	-	-	-	-	-	7,899,312
Contributions and donations.....	-	-	-	-	-	37,669	-	-	-	37,669	387,853
Investment income.....	-	-	-	646	646	86,738	14,493	9,372	110,603	377,731	54,947
Miscellaneous.....	-	-	-	-	-	-	-	-	-	-	54,947
TOTAL REVENUES.....	-	-	-	646	-	646	124,407	14,493	9,372	148,272	26,735,898
EXPENDITURES:											
Current:											
General government.....	-	-	-	-	-	-	-	-	-	-	3,193,441
Public safety.....	-	-	-	-	-	-	-	-	-	-	2,371,327
Education.....	-	-	-	-	-	-	-	-	-	-	14,334,827
Public works.....	-	-	-	-	-	2,873	-	-	2,873	-	3,123,475
Public facilities.....	-	-	-	-	-	-	-	-	-	-	690,360
Community services.....	-	-	-	-	-	-	-	1,832	1,832	-	3,598,429
Library.....	-	-	-	-	-	-	8,941	-	8,941	-	127,688
Capital outlay.....	666,740	7,127,675	7,419	562,603	-	8,364,437	-	-	-	-	8,364,437
TOTAL EXPENDITURES.....	666,740	7,127,675	7,419	562,603	-	8,364,437	2,873	8,941	1,832	13,646	35,803,984
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(666,740)	(7,127,675)	(7,419)	(561,957)	-	(8,363,791)	121,534	5,552	7,540	134,626	(9,068,086)
OTHER FINANCING SOURCES (USES):											
Issuance of bonds.....	2,950,000	6,195,000	-	832,000	-	9,977,000	-	-	-	-	9,977,000
Premium from issuance of bonds.....	-	-	-	198,000	-	198,000	-	-	-	-	198,729
Transfers in.....	956,000	-	400,000	245,000	-	1,601,000	-	-	-	-	1,601,000
Transfers out.....	(131,940)	-	-	(23,048)	-	(154,988)	(6,000)	-	-	(6,000)	(476,808)
TOTAL OTHER FINANCING SOURCES (USES).....	3,774,060	6,195,000	400,000	1,251,952	-	11,621,012	(6,000)	-	-	(6,000)	11,299,921
EXTRAORDINARY ITEM:											
Gas disaster expenditures.....	-	-	-	-	-	-	-	-	-	-	(317,105)
NET CHANGE IN FUND BALANCES.....	3,107,320	(932,675)	392,581	689,995	-	3,257,221	115,534	5,552	7,540	128,626	1,914,730
FUND BALANCES AT 6/30/24, AS PREVIOUSLY REPORTED.....	3,412,627	1,430,762	2,372	1,147,097	10,558,903	16,551,761	1,636,693	427,151	257,571	2,321,415	38,702,941
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND.....	-	-	-	-	(10,558,903)	(10,558,903)	-	-	-	-	(10,558,903)
ADJUSTMENT - CHANGE FROM MAJOR TO NONMAJOR FUND.....	-	-	-	-	-	-	-	-	-	-	667,362
FUND BALANCES AT 6/30/24, AS ADJUSTED.....	3,412,627	1,430,762	2,372	1,147,097	-	5,992,858	1,636,693	427,151	257,571	2,321,415	28,811,400
FUND BALANCES AT END OF YEAR.....	\$ 6,519,947	\$ 498,087	\$ 394,953	\$ 1,837,092	\$ 10,558,903	\$ 19,808,982	\$ 1,752,227	\$ 432,703	\$ 265,111	\$ 2,450,041	\$ 30,726,130

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.

Town of Andover, Massachusetts

Internal Service Funds Combining Statement of Net Position

June 30, 2025

	Insurance	Unemployment Compensation	Health Insurance	Workers' Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 307,897	\$ 635,546	\$ 28,946,647	\$ 187,466	\$ 30,077,556
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	36,166	-	36,166
Total current assets.....	<u>307,897</u>	<u>635,546</u>	<u>28,982,813</u>	<u>187,466</u>	<u>30,113,722</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	1,000	17,246	109,624	-	127,870
Health claims payable.....	-	-	3,135,195	-	3,135,195
Other liabilities.....	-	-	3,448	-	3,448
Workers' compensation.....	-	-	-	18,000	18,000
Total current liabilities.....	<u>1,000</u>	<u>17,246</u>	<u>3,248,267</u>	<u>18,000</u>	<u>3,284,513</u>
NONCURRENT:					
Workers' compensation.....	-	-	-	161,000	161,000
TOTAL LIABILITIES.....	<u>1,000</u>	<u>17,246</u>	<u>3,248,267</u>	<u>179,000</u>	<u>3,445,513</u>
NET POSITION					
Unrestricted.....	<u>\$ 306,897</u>	<u>\$ 618,300</u>	<u>\$ 25,734,546</u>	<u>\$ 8,466</u>	<u>\$ 26,668,209</u>

Town of Andover, Massachusetts

Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2025

	Insurance	Unemployment Compensation	Health Insurance	Workers' Compensation	Total Internal Service Funds
<u>OPERATING REVENUES:</u>					
Employee contributions.....	\$ -	\$ -	\$ 11,160,862	\$ -	\$ 11,160,862
Employer contributions.....	25,281	-	25,169,357	-	25,194,638
 TOTAL OPERATING REVENUES	25,281	-	36,330,219	-	36,355,500
<u>OPERATING EXPENSES:</u>					
Property and liability insurance.....	39,433	-	-	-	39,433
Employee benefits.....	-	63,529	35,492,107	(2,000) (A)	35,553,636
 TOTAL OPERATING EXPENSES.....	39,433	63,529	35,492,107	(2,000)	35,593,069
 OPERATING INCOME.....	(14,152)	(63,529)	838,112	2,000	762,431
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Investment income.....	14,055	31,531	880,048	-	925,634
 CHANGE IN NET POSITION.....	(97)	(31,998)	1,718,160	2,000	1,688,065
NET POSITION AT BEGINNING OF YEAR....	306,994	650,298	24,016,386	6,466	24,980,144
NET POSITION AT END OF YEAR.....	\$ 306,897	\$ 618,300	\$ 25,734,546	\$ 8,466	\$ 26,668,209

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

Town of Andover, Massachusetts

Internal Service Funds Combining Statement of Cash Flows

Year Ended June 30, 2025

	Insurance	Unemployment Compensation	Health Insurance	Workers' Compensation	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Receipts from customers and users.....	\$ -	\$ -	\$ 11,160,862	\$ -	\$ 11,160,862
Receipts from interfund services provided.....	25,281	-	25,133,191	-	25,158,472
Payments to vendors.....	(39,433)	-	-	-	(39,433)
Payments for interfund services used.....	1,000	(47,383)	(34,584,510)	-	(34,630,893)
NET CASH FROM OPERATING ACTIVITIES.....	(13,152)	(47,383)	1,709,543	-	1,649,008
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Investment income.....	14,055	31,531	880,048	-	925,634
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	903	(15,852)	2,589,591	-	2,574,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	306,994	651,398	26,357,056	187,466	27,502,914
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 307,897	\$ 635,546	\$ 28,946,647	\$ 187,466	\$ 30,077,556
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>					
<u>TO NET CASH FROM OPERATING ACTIVITIES:</u>					
Operating income (loss).....	\$ (14,152)	\$ (63,529)	\$ 838,112	\$ 2,000	\$ 762,431
Adjustments to reconcile operating income to net Changes in assets and liabilities:					
Departmental and other.....	-	-	(36,166)	-	(36,166)
Warrants payable.....	1,000	16,146	44,462	-	61,608
Health claims payable.....	-	-	863,195	-	863,195
Other liabilities.....	-	-	(60)	-	(60)
Workers' compensation.....	-	-	-	(2,000)	(2,000)
Total adjustments.....	1,000	16,146	871,431	(2,000)	886,577
NET CASH FROM OPERATING ACTIVITIES.....	\$ (13,152)	\$ (47,383)	\$ 1,709,543	\$ -	\$ 1,649,008

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

Town of Andover, Massachusetts

Net Position By Component

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets.....	\$ 119,176,309	\$ 117,289,661	\$ 114,397,564	\$ 118,786,722	\$ 120,784,434	\$ 129,045,540	\$ 137,792,853	\$ 146,857,527	\$ 175,555,323	\$ 186,360,586
Restricted.....	8,492,277	8,921,380	9,181,609	10,983,413	11,300,312	12,566,744	23,673,141	17,845,211	19,713,708	21,888,921
Unrestricted.....	<u>(174,133,075)</u>	<u>(229,559,125)</u>	<u>(238,349,204)</u>	<u>(227,610,160)</u>	<u>(231,171,854)</u>	<u>(239,252,312)</u>	<u>(245,651,280)</u>	<u>(223,929,627)</u>	<u>(211,028,716)</u>	<u>(207,917,642)</u>
Total governmental activities net position.....	\$ (46,464,489)	\$ (103,348,084)	\$ (114,770,031)	\$ (97,840,025)	\$ (99,087,108)	\$ (97,640,028)	\$ (84,185,286)	\$ (59,226,889)	\$ (15,759,685)	\$ 331,865
Business-type activities										
Net investment in capital assets.....	\$ 42,788,461	\$ 44,110,580	\$ 42,038,002	\$ 43,602,463	\$ 46,240,734	\$ 48,933,688	\$ 49,946,689	\$ 45,789,035	\$ 54,680,427	\$ 50,611,995
Unrestricted.....	15,734,929	6,164,961	7,323,154	5,742,840	2,811,762	151,922	580,431	5,054,015	2,529,388	10,152,982
Total business-type activities net position.....	\$ 58,523,390	\$ 50,275,541	\$ 49,361,156	\$ 49,345,303	\$ 49,052,496	\$ 49,085,610	\$ 50,527,120	\$ 50,843,050	\$ 57,209,815	\$ 60,764,977
Primary government										
Net investment in capital assets.....	\$ 161,964,770	\$ 161,400,241	\$ 156,435,566	\$ 162,389,185	\$ 167,025,168	\$ 177,979,228	\$ 187,739,542	\$ 192,646,562	\$ 230,235,750	\$ 236,972,581
Restricted.....	8,492,277	8,921,380	9,181,609	10,983,413	11,300,312	12,566,744	23,673,141	17,845,211	19,713,708	21,888,921
Unrestricted.....	<u>(158,398,146)</u>	<u>(223,394,164)</u>	<u>(231,026,050)</u>	<u>(221,867,320)</u>	<u>(228,360,092)</u>	<u>(239,100,390)</u>	<u>(245,070,849)</u>	<u>(218,875,612)</u>	<u>(208,499,328)</u>	<u>(197,764,660)</u>
Total primary government net position.....	\$ 12,058,901	\$ (53,072,543)	\$ (65,408,875)	\$ (48,494,722)	\$ (50,034,612)	\$ (48,554,418)	\$ (33,658,166)	\$ (8,383,839)	\$ 41,450,130	\$ 61,096,842
		(A)			(B)					(C)

- (A) 2017 and subsequent years reflect the implementation of GASB 75.
 (B) 2020 and subsequent years reflect the implementation of GASB 84.
 (C) 2025 and subsequent years reflect the implementation of GASB 101.

Town of Andover, Massachusetts

Changes in Net Position

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government.....	\$ 13,441,576	\$ 14,410,788	\$ 14,257,548	\$ 15,142,631	\$ 15,545,460	\$ 17,556,171	\$ 15,769,295	\$ 17,560,877	\$ 16,499,867	\$ 18,252,225
Public safety.....	28,947,658	29,471,772	31,300,955	30,810,933	30,283,892	31,288,960	29,855,790	30,668,116	29,670,463	32,339,771
Education.....	126,990,371	132,222,941	137,718,100	134,040,164	144,491,957	149,639,940	142,365,586	148,341,347	157,306,447	167,253,694
Public works.....	-	-	-	10,880,271	*	13,339,464	14,996,472	12,430,109	14,120,910	16,841,975
Public facilities.....	-	-	-	7,410,129	*	7,573,021	7,259,642	6,003,075	7,207,459	7,068,051
Municipal services.....	19,300,095	22,362,301	20,462,938	-	*	-	-	-	-	-
Community services.....	4,690,932	4,720,122	5,200,282	5,778,428	5,502,314	5,237,621	6,441,274	6,893,049	6,517,712	7,294,366
Library.....	4,704,562	4,662,189	4,629,860	4,392,675	4,396,524	4,353,203	3,690,892	4,303,918	3,810,594	4,134,799
Interest.....	2,239,673	2,044,006	1,893,346	2,540,131	2,660,557	2,690,666	3,331,963	9,845,225	6,388,741	9,514,322
Total government activities expenses.....	200,314,867	209,894,119	215,463,029	211,008,862	223,793,189	233,022,675	219,887,984	238,940,901	244,103,850	264,688,840
Business-type activities:										
Water.....	9,103,219	9,065,449	10,160,951	9,205,318	10,259,115	11,095,249	9,683,267	12,397,584	6,816,189	12,791,828
Sewer.....	4,531,114	4,533,507	5,010,158	4,583,488	4,626,081	4,182,213	4,343,589	4,465,535	3,839,904	4,625,679
Total business-type activities expenses.....	13,634,333	13,598,956	15,171,109	13,788,806	14,885,196	15,277,462	14,026,856	16,863,119	10,656,093	17,417,507
Total primary government expenses.....	\$ 213,949,200	\$ 223,493,075	\$ 230,634,138	\$ 224,797,668	\$ 238,678,385	\$ 248,300,137	\$ 233,914,840	\$ 255,804,020	\$ 254,759,943	\$ 282,106,347
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 6,359,841	\$ 6,528,322	\$ 6,515,366	\$ 6,412,569	\$ 5,799,890	\$ 5,734,603	\$ 6,624,693	\$ 7,769,674	\$ 6,639,084	\$ 9,241,356
Education charges for services.....	5,084,499	5,153,935	5,127,469	5,590,885	4,234,692	1,528,544	3,396,622	3,597,515	3,521,308	3,422,934
Other charges for services.....	3,233,071	3,401,970	4,121,952	4,276,929	3,629,582	3,940,281	4,851,424	5,581,059	5,679,313	5,877,964
Education operating grants and contributions.....	26,598,021	31,436,564	33,435,322	33,838,320	40,216,456	47,933,933	34,090,116	36,823,103	41,677,337	39,728,148
Other operating grants and contributions.....	1,357,650	1,866,468	2,160,016	1,711,092	2,857,966	4,350,222	3,773,418	5,305,383	4,509,156	2,745,348
Public works capital grant and contributions.....	1,626,204	3,016,120	1,452,390	342,764	1,487,737	1,373,774	1,377,429	2,028,030	4,185,831	1,189,437
Education capital grant and contributions.....	-	-	1,104,315	-	246,352	215,006	2,962,725	12,169,712	18,077,060	6,507,165
Other capital grant and contributions.....	227,501	37,233	33,144	30,231	415,296	391,847	130,000	-	1,142,092	1,697,426
Total government activities program revenues.....	44,486,787	51,440,612	53,949,974	52,202,790	58,887,971	65,468,210	57,206,427	73,274,476	85,431,181	70,409,778
Business-type activities:										
Water charges for services.....	8,248,851	8,614,491	9,242,742	8,706,157	9,617,768	10,532,644	10,456,362	11,423,429	11,453,087	13,651,696
Sewer charges for services.....	4,354,327	4,625,827	4,684,118	4,933,904	4,855,191	4,749,869	5,000,639	5,122,452	4,949,504	5,502,867
Other capital grant and contributions.....	-	-	247,000	-	-	-	-	-	-	1,176,794
Total business-type activities program revenues.....	12,603,178	13,240,318	14,173,860	13,640,061	14,472,959	15,282,513	15,457,001	16,545,881	16,402,591	20,331,357
Total primary government program revenues.....	\$ 57,089,965	\$ 64,680,930	\$ 68,123,834	\$ 65,842,851	\$ 73,360,930	\$ 80,750,723	\$ 72,663,428	\$ 89,820,357	\$ 101,833,772	\$ 90,741,135
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (155,828,080)	\$ (158,453,507)	\$ (161,513,055)	\$ (158,806,072)	\$ (164,905,218)	\$ (167,554,465)	\$ (162,681,557)	\$ (165,666,425)	\$ (158,672,669)	\$ (194,279,062)
Business-type activities.....	(1,031,155)	(358,638)	(997,249)	(148,745)	(412,237)	5,051	1,430,145	(317,238)	5,746,498	2,913,850
Total primary government net (expense)/program revenue.....	\$ (156,859,235)	\$ (158,812,145)	\$ (162,510,304)	\$ (158,954,817)	\$ (165,317,455)	\$ (167,549,414)	\$ (161,251,412)	\$ (165,983,663)	\$ (152,926,171)	\$ (191,365,212)

Town of Andover, Massachusetts

Changes in Net Position (Continued)

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 126,409,719	\$ 133,419,328	\$ 138,291,617	\$ 144,265,717	\$ 150,700,501	\$ 158,708,228	\$ 163,956,365	\$ 174,252,771	\$ 181,706,013	\$ 190,992,768
Tax liens.....	33,265	331,830	324,654	678,899	369,683	392,221	432,693	530	768,651	507,354
Motor vehicle excise taxes.....	5,582,946	5,880,582	5,932,927	6,115,370	5,949,352	6,071,620	5,989,888	6,151,309	6,027,052	7,252,947
Hotel/motel tax.....	1,747,841	2,004,253	1,995,058	2,360,307	1,807,513	699,991	1,532,265	2,104,434	2,448,355	2,300,979
Meals tax.....	570,252	583,007	621,317	622,132	601,416	470,494	700,947	769,707	873,079	820,333
Penalties and interest on taxes.....	400,186	417,131	337,580	572,136	557,100	471,873	589,044	406,906	504,764	544,199
Grants and contributions not restricted to specific programs.....	2,286,196	2,365,532	2,034,338	2,099,148	2,126,802	2,132,615	2,441,334	2,405,731	2,595,107	2,669,662
Unrestricted investment income.....	264,490	232,297	553,617	1,348,115	1,467,663	460,276	680,782	5,055,940	7,779,496	6,057,579
Miscellaneous.....	69,271	49,925	-	-	-	-	-	-	-	-
Gain on sale of capital assets.....	-	-	-	-	-	7,900	-	-	-	-
Extraordinary Items:										
Gas disaster settlement funds.....	-	-	-	19,381,109	41,478	-	-	-	-	-
Gas disaster expenses.....	-	-	-	(1,706,855)	(485,884)	(413,673)	(187,019)	-	(40,253)	(252,675)
Transfers.....	-	-	-	-	-	-	-	(522,506)	(522,391)	(522,534)
Total governmental activities.....	137,364,166	145,283,885	150,091,108	175,736,078	163,135,624	169,001,545	176,136,299	190,624,822	202,139,873	210,370,612
Business-type activities:										
Unrestricted investment income.....	34,195	48,981	82,864	132,892	119,430	28,063	11,365	110,662	97,876	118,778
Transfers.....	-	-	-	-	-	-	-	522,506	522,391	522,534
Total business-type activities.....	34,195	48,981	82,864	132,892	119,430	28,063	11,365	633,168	620,267	641,312
Total primary government general revenues and other changes in net position.....	\$ 137,398,361	\$ 145,332,866	\$ 150,173,972	\$ 175,868,970	\$ 163,255,054	\$ 169,029,608	\$ 176,147,664	\$ 191,257,990	\$ 202,760,140	\$ 211,011,924
Changes in Net Position										
Governmental activities.....	\$ (18,463,914)	\$ (13,169,622)	\$ (11,421,947)	\$ 16,930,006	\$ (1,769,594)	\$ 1,447,080	\$ 13,454,742	\$ 24,958,397	\$ 43,467,204	\$ 16,091,550
Business-type activities.....	(996,960)	(309,657)	(914,385)	(15,853)	(292,807)	33,114	1,441,510	315,930	6,366,765	3,555,162
Total primary government changes in net position.....	\$ (19,460,874)	\$ (13,479,279)	\$ (12,336,332)	\$ 16,914,153	\$ (2,062,401)	\$ 1,480,194	\$ 14,896,252	\$ 25,274,327	\$ 49,833,969	\$ 19,646,712

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

(concluded)

Town of Andover, Massachusetts
Fund Balances, Governmental Funds

Last Ten Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Fund										
Restricted.....	\$ 782,526	\$ 693,100	\$ 608,191	\$ 529,791	\$ 453,580	\$ 382,241	\$ 317,278	\$ 258,692	\$ 200,106	\$ 154,274
Committed.....	2,166,450	2,020,002	1,934,625	1,250,674	1,189,420	1,132,127	1,057,161	1,517,133	2,002,596	2,993,865
Assigned.....	1,470,172	1,361,449	1,340,429	1,194,620	1,490,233	2,459,544	2,519,205	3,049,336	2,324,777	3,141,780
Unassigned.....	<u>12,952,202</u>	<u>17,826,724</u>	<u>17,887,242</u>	<u>18,495,850</u>	<u>22,723,426</u>	<u>18,371,749</u>	<u>19,370,023</u>	<u>24,363,691</u>	<u>31,192,685</u>	<u>36,955,205</u>
Total general fund.....	\$ <u>17,371,350</u>	\$ <u>21,901,275</u>	\$ <u>21,770,487</u>	\$ <u>21,470,935</u>	\$ <u>25,856,659</u>	\$ <u>22,345,661</u>	\$ <u>23,263,667</u>	\$ <u>29,188,852</u>	\$ <u>35,720,164</u>	\$ <u>43,245,124</u>
All Other Governmental Funds										
Nonspendable.....	\$ 1,280,783	\$ 1,286,034	\$ 1,315,354	\$ 1,293,426	\$ 1,266,307	\$ 1,323,005	\$ 1,278,130	\$ 1,289,684	\$ 1,300,546	\$ 1,282,547
Restricted.....	20,068,946	16,376,243	22,607,870	43,363,411	40,240,453	43,105,518	41,637,673	67,498,780	52,462,365	48,364,455
Unassigned.....	-	-	(266,464)	-	(690,948)	(1,542,150)	-	(1,901,228)	-	(3,317,094)
Total all other governmental funds.....	\$ <u>21,349,729</u>	\$ <u>17,662,277</u>	\$ <u>23,656,760</u>	\$ <u>44,656,837</u>	\$ <u>40,815,812</u>	\$ <u>42,886,373</u>	\$ <u>42,915,803</u>	\$ <u>66,887,236</u>	\$ <u>53,762,911</u>	\$ <u>46,329,908</u>

A

A = Previously reported fund balance has been revised to reflect the implementation of GASB Statement #84 - *Fiduciary Activities*

Town of Andover, Massachusetts

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 126,180,460	\$ 133,498,869	\$ 138,082,006	\$ 144,045,522	\$ 150,883,719	\$ 158,809,276	\$ 164,311,208	\$ 173,756,926	\$ 181,969,645	\$ 190,812,660
Motor vehicle and other excise taxes.....	5,700,798	5,861,936	5,836,628	6,176,998	5,962,010	6,135,199	6,008,150	6,048,328	6,250,083	7,024,038
Intergovernmental.....	32,495,810	37,605,820	38,349,896	40,531,158	45,762,558	53,355,909	42,113,290	56,481,750	66,662,229	53,556,617
Intergovernmental - COVID-19 Relief.....	-	-	-	-	406,209	3,662,451	1,761,135	1,868,366	5,350,418	1,616,242
Departmental and other.....	18,377,257	19,100,583	19,278,630	20,512,027	18,289,466	13,385,089	18,252,308	21,145,988	20,357,074	23,543,218
Interest income.....	254,575	199,876	532,246	1,291,584	1,394,549	443,948	664,134	4,589,656	6,889,680	5,119,954
Total Revenue.....	183,008,900	196,267,084	202,079,406	212,557,289	222,698,511	235,791,872	233,110,225	263,891,014	287,479,129	281,672,729
Expenditures:										
General government.....	7,914,464	8,563,816	8,906,509	8,782,567	9,537,017	11,396,533	11,675,782	11,681,214	13,975,197	13,853,280
Public safety.....	17,420,495	17,320,298	19,043,736	19,107,218	18,795,374	20,186,867	21,118,474	20,820,215	22,268,748	23,931,617
Education.....	83,170,976	87,289,023	90,118,954	92,626,935	95,459,831	98,577,672	102,103,774	107,012,464	114,238,450	117,745,068
Public works.....	-	-	-	9,867,616	*	10,311,374	12,282,266	10,867,397	13,555,819	15,836,984
Public facilities.....	-	-	-	3,379,317	*	3,191,994	3,096,676	3,387,957	3,510,632	4,298,277
Municipal services.....	11,071,883	13,768,109	13,503,004	-	-	-	-	-	-	-
Community services.....	3,400,352	3,296,991	3,701,839	4,071,541	4,023,030	3,532,339	4,431,368	5,006,097	5,303,423	6,084,599
Library.....	2,864,208	2,705,611	2,786,809	2,810,728	2,752,755	2,705,939	2,901,706	2,916,165	3,025,297	3,213,799
Pension benefits.....	20,014,421	24,870,902	26,656,120	27,887,605	33,863,458	39,305,169	25,787,929	21,842,075	23,871,381	22,013,149
Property and liability insurance.....	733,618	1,184,199	884,567	1,370,444	1,064,473	1,207,010	1,224,849	1,170,313	1,280,499	1,397,472
Employee benefits.....	17,420,680	19,024,326	20,357,485	21,873,978	22,642,514	23,728,120	24,611,011	24,490,346	25,384,972	26,719,578
Claims and judgments.....	-	-	-	13,500	-	-	-	-	-	-
State and county charges.....	649,170	598,992	680,010	831,295	769,672	820,010	913,507	927,058	786,292	836,586
Capital outlay.....	10,784,487	9,513,804	20,182,677	14,392,709	12,803,744	18,048,147	24,079,437	44,805,017	92,688,298	47,177,107
Debt service:										
Principal.....	8,096,050	7,097,104	6,637,898	6,901,604	7,014,124	7,042,757	6,820,503	13,115,414	15,478,612	16,266,393
Interest.....	2,895,359	2,529,536	2,361,998	2,969,794	3,373,838	3,251,475	3,056,148	7,720,377	9,179,562	10,821,059
Total Expenditures.....	186,436,163	197,762,711	215,821,606	216,886,851	225,603,198	245,180,980	242,979,842	278,573,206	347,171,862	308,341,862
Excess of revenues over (under) expenditures.....	(3,427,263)	(1,495,627)	(13,742,200)	(4,329,562)	(2,904,687)	(9,389,108)	(9,869,617)	(14,682,192)	(59,692,733)	(26,669,133)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	2,925,900	2,123,300	18,743,100	6,585,000	4,873,000	9,451,342	13,603,758	46,914,500	51,665,000	27,106,000
Issuance of refunding bonds.....	-	-	-	-	-	1,216,900	-	-	-	-
Premium from issuance of bonds.....	-	214,800	430,123	770,833	347,824	878,462	915,457	3,088,250	4,269,091	494,729
Premium from issuance of refunding bonds.....	-	-	-	-	-	218,100	-	-	-	-
Lease financing.....	-	-	432,672	-	-	-	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	-	-	-	(1,435,000)	-	-	-	-
Proceeds from the sale of capital assets.....	-	-	-	-	-	7,900	-	-	-	-
Transfers in.....	10,187,387	6,593,061	6,331,529	9,247,389	6,087,738	10,765,434	6,734,558	8,647,785	7,166,371	7,449,592
Transfers out.....	(10,187,387)	(6,593,061)	(6,331,529)	(9,247,389)	(6,087,738)	(10,765,434)	(6,734,558)	(9,170,291)	(7,688,762)	(7,972,126)
Total other financing sources (uses).....	2,925,900	2,338,100	19,605,895	7,355,833	5,220,824	10,337,704	14,519,215	49,480,244	55,411,700	27,078,195
Special and Extraordinary Items:										
Special item - issuance of pension obligation bonds.....	-	-	-	-	-	-	157,387,531	-	-	-
Special item - pension obligation bond issuance costs.....	-	-	-	-	-	-	(780,467)	-	-	-
Special item - contribution to pension trust.....	-	-	-	-	-	-	(156,607,064)	-	-	-
Gas disaster settlement funds.....	-	-	-	19,381,109	41,478	-	-	-	-	-
Gas disaster expenditures.....	-	-	-	(1,706,855)	(2,335,427)	(2,389,033)	(3,702,162)	(4,901,434)	(2,311,980)	(317,105)
	-	-	-	17,674,254	(2,293,949)	(2,389,033)	(3,702,162)	(4,901,434)	(2,311,980)	(317,105)
Net change in fund balance.....	\$ (501,363)	\$ 842,473	\$ 5,863,695	\$ 20,700,525	\$ 22,188	\$ (1,440,437)	\$ 947,436	\$ 29,896,618	\$ (6,593,013)	\$ 91,957
Debt service as a percentage of noncapital expenditures.....	6.19%	5.05%	4.54%	4.82%	4.87%	4.58%	4.52%	8.93%	9.60%	10.11%

Notes:

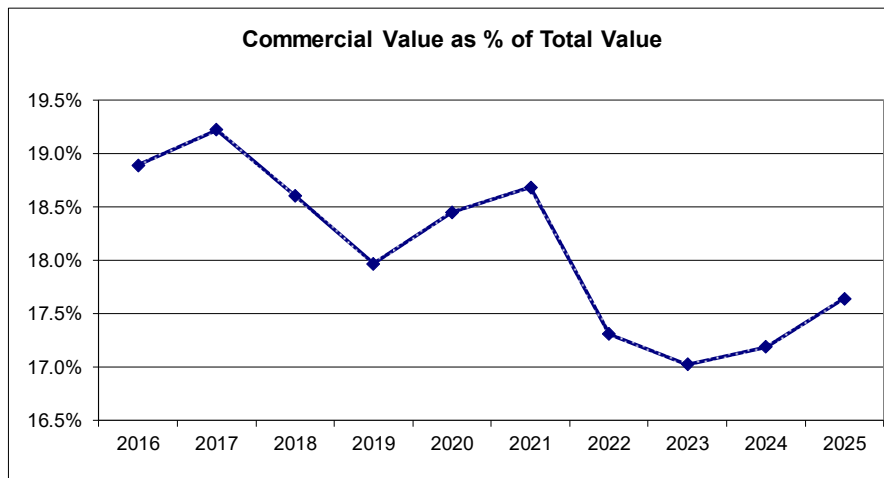
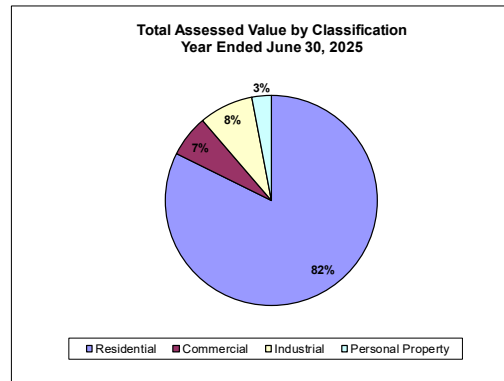
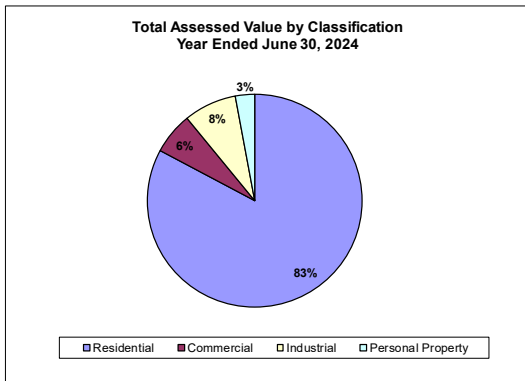
* In fiscal 2019, the Town separated its municipal services department forming a public works department and public facilities department.

Town of Andover, Massachusetts

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential/ Open Space Value	Residential/ Open Space Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
2016	\$ 6,117,465,085	\$ 14.82	\$ 573,623,228	\$ 603,476,100	\$ 247,911,769	\$ 1,425,011,097	\$ 25.99	\$ 16.93	\$ 7,542,476,182
2017	\$ 6,191,555,580	\$ 15.18	\$ 577,433,480	\$ 601,695,200	\$ 294,625,929	\$ 1,473,754,609	\$ 26.46	\$ 17.35	\$ 7,665,310,189
2018	\$ 6,347,884,255	\$ 15.64	\$ 588,216,151	\$ 608,062,200	\$ 255,067,239	\$ 1,451,345,590	\$ 27.61	\$ 17.87	\$ 7,799,229,845
2019	\$ 6,825,956,695	\$ 15.27	\$ 605,393,222	\$ 639,205,100	\$ 250,782,409	\$ 1,495,380,731	\$ 27.51	\$ 17.47	\$ 8,321,337,426
2020 (1)	\$ 7,175,327,051	\$ 15.01	\$ 629,857,515	\$ 674,985,400	\$ 318,839,379	\$ 1,623,682,294	\$ 27.14	\$ 17.25	\$ 8,799,009,345
2021	\$ 7,340,698,246	\$ 15.29	\$ 632,912,993	\$ 681,028,200	\$ 373,031,118	\$ 1,686,972,311	\$ 28.09	\$ 17.68	\$ 9,027,670,557
2022	\$ 7,986,757,090	\$ 14.60	\$ 625,781,847	\$ 726,997,300	\$ 319,029,130	\$ 1,671,808,277	\$ 29.29	\$ 17.14	\$ 9,658,565,367
2023	\$ 9,077,872,633	\$ 13.66	\$ 680,896,666	\$ 827,792,800	\$ 354,008,940	\$ 1,862,698,406	\$ 27.32	\$ 15.99	\$ 10,940,571,039
2024	\$ 10,062,323,535	\$ 12.88	\$ 766,160,279	\$ 967,146,800	\$ 355,152,574	\$ 2,088,459,653	\$ 25.48	\$ 15.05	\$ 12,150,783,188
2025 (1)	\$ 10,852,450,460	\$ 12.49	\$ 842,920,155	\$ 1,091,316,400	\$ 390,485,519	\$ 2,324,722,074	\$ 24.31	\$ 14.58	\$ 13,177,172,534



(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.

Town of Andover, Massachusetts

Principal Taxpayers

Current Year and Nine Years Ago

Name	Property Type	2025			2016		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Genetics Institute, Inc (Pfizer)	Industrial	\$ 181,399,800	1	1.38%	\$ 82,326,100	1	1.09%
ARE-MA Region 97 Holding LLC	Industrial	\$ 115,329,500	2	0.88%	-	-	-
Raytheon Company	Commercial/Industrial	\$ 106,013,300	3	0.80%	\$ 61,038,050	3	0.81%
Massachusetts Electric Co	Personal Property	\$ 96,332,459	4	0.73%	\$ 36,575,420	10	0.48%
New Brickstone Office LLC (Transwestern Brickstone)	Commercial	\$ 92,788,129	5	0.70%	\$ 66,745,200	2	0.88%
Eversource Gas Company	Personal Property	\$ 90,643,340	6	0.69%	-	-	-
ARE-MA Region 93 LLC	Industrial	\$ 81,089,600	7	0.62%	-	-	-
IQHQ-4 Corporate LLC	Commercial	\$ 61,406,100	8	0.47%	-	-	-
Gillette Company	Industrial	\$ 54,104,000	9	0.41%	\$ 36,730,200	9	0.49%
Schneider Electric Buildings LLC	Industrial	\$ 51,121,100	10	0.39%	-	-	-
Eisai Research Institute	Commercial/Industrial	-	-	-	\$ 55,261,230	4	0.73%
Phillips Electro No Amer Corp	Industrial	-	-	-	\$ 51,301,180	5	0.68%
Navisite, Inc	Commercial/Industrial	-	-	-	\$ 46,070,920	6	0.61%
One Hundred Minuteman LLC	Industrial	-	-	-	\$ 40,290,600	7	0.53%
Lincoln Andover LLC	Commercial	-	-	-	\$ 37,321,100	8	0.49%
	Totals	\$930,227,328		7.06%	\$513,660,000		6.81%

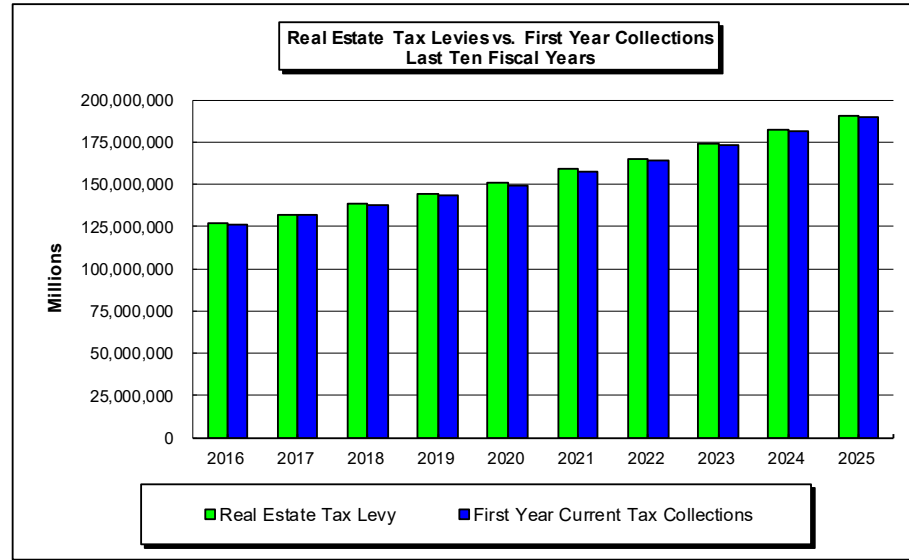
Source: Assessor's Department, Town of Andover

Town of Andover, Massachusetts

Property Tax Levies and Collections

Last Ten Years

Year	Total Tax Levy	Less Abatements & Exemptions	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
2016	\$ 127,696,871	\$ 870,287	\$ 126,826,584	\$ 125,835,396	99.22%	\$ 842,011	\$ 126,677,407	99.88%
2017	\$ 132,983,361	\$ 907,823	\$ 132,075,538	\$ 131,568,459	99.62%	\$ 469,933	\$ 132,038,392	99.97%
2018	\$ 139,352,561	\$ 591,466	\$ 138,761,095	\$ 137,603,164	99.17%	\$ 870,634	\$ 138,473,798	99.79%
2019	\$ 145,370,283	\$ 830,408	\$ 144,539,875	\$ 143,650,782	99.38%	\$ 629,451	\$ 144,280,233	99.82%
2020	(1) \$ 151,611,876	\$ 1,120,286	\$ 150,491,590	\$ 149,459,025	99.31%	\$ 1,187,609	\$ 150,646,634	100.10%
2021	\$ 159,488,649	\$ 706,455	\$ 158,782,194	\$ 157,471,531	99.17%	\$ 890,650	\$ 158,362,181	99.74%
2022	\$ 165,459,877	\$ 722,564	\$ 164,737,313	\$ 163,759,017	99.41%	\$ 887,017	\$ 164,646,034	99.94%
2023	\$ 174,778,254	\$ 608,532	\$ 174,169,722	\$ 173,179,336	99.43%	\$ 849,247	\$ 174,028,583	99.92%
2024	\$ 182,687,607	\$ 634,224	\$ 182,053,383	\$ 181,062,622	99.46%	\$ 846,698	\$ 181,909,320	99.92%
2025	(1) \$ 191,831,670	\$ 955,435	\$ 190,876,235	\$ 189,827,926	99.45%	\$ -	\$ 189,827,926	99.45%



(1) Revaluation year.

Source: Assessor's Department, Town of Andover

Town of Andover, Massachusetts

Computation of Levy Capacity and Unused Levy Capacity

Last Ten Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Levy Limit.....	\$ 129,300,643	\$ 134,306,796	\$ 140,458,434	\$ 146,503,846	\$ 154,314,610	\$ 160,573,420	\$ 165,894,596	\$ 169,123,817	\$ 175,279,716	\$ 181,930,594
Previous Levy.....	119,797,141	124,996,152	130,709,371	136,417,582	142,600,950	150,531,621	157,043,311	162,894,022	169,123,817	175,279,716
Legal Increase.....	2,994,929	3,124,904	3,267,734	3,410,440	3,565,024	3,763,291	3,926,083	4,072,351	4,228,095	4,381,993
New Growth.....	2,204,083	2,588,316	2,440,477	2,772,928	4,365,647	2,748,398	1,924,628	2,157,444	1,927,804	2,268,885
Debt Exclusion.....	4,304,490	3,597,424	4,040,852	3,902,896	3,782,989	3,530,110	3,000,574	6,494,267	8,987,064	10,491,667
Maximum Taxing Capacity.....	\$ 129,300,643	\$ 134,306,796	\$ 140,458,434	\$ 146,503,846	\$ 154,314,610	\$ 160,573,420	\$ 165,894,596	\$ 175,618,084	\$ 184,266,780	\$ 192,422,261
Actual Levy.....	\$ 127,696,873	\$ 132,983,359	\$ 139,352,559	\$ 145,370,281	\$ 151,611,876	\$ 159,488,649	\$ 165,459,877	\$ 174,778,254	\$ 182,687,607	\$ 191,831,670
Unused Levy Capacity.....	\$ 1,603,770	\$ 1,323,437	\$ 1,105,875	\$ 1,133,565	\$ 2,702,734	\$ 1,084,771	\$ 434,719	\$ 839,830	\$ 1,579,173	\$ 590,591

Source: Assessor's Department, Town of Andover

Town of Andover, Massachusetts

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities		Business-type Activities (1)	Total Primary Government					
				General Obligation Bonds	Leases	General Obligation Bonds	Total General Bonded Debt Outstanding	Less: Amounts Available in Debt Reserve	Net General Bonded Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2016	32,101	\$ 2,362,344,691	\$ 7,542,476,182	\$ 78,346,580	\$ -	\$ 31,193,805	\$ 109,540,385	\$ (782,526)	\$ 108,757,859	\$ 3,388	4.60%	1.44%
2017	32,677	\$ 2,452,833,651	\$ 7,665,310,189	\$ 72,997,287	\$ -	\$ 29,366,241	\$ 102,363,528	\$ (693,100)	\$ 101,670,428	\$ 3,111	4.15%	1.33%
2018	32,323	\$ 2,474,778,172	\$ 7,799,229,845	\$ 84,960,292	\$ 222,815	\$ 30,476,994	\$ 115,660,101	\$ (608,191)	\$ 115,051,910	\$ 3,559	4.65%	1.48%
2019	32,336	\$ 2,525,279,920	\$ 8,321,337,426	\$ 84,889,229	\$ 136,014	\$ 27,899,916	\$ 112,925,159	\$ (529,791)	\$ 112,395,368	\$ 3,476	4.45%	1.35%
2020	32,498	\$ 2,588,693,186	\$ 8,799,009,345	\$ 82,415,085	\$ 46,131	\$ 30,773,541	\$ 113,234,757	\$ (453,580)	\$ 112,781,177	\$ 3,470	4.36%	1.28%
2021	32,071	\$ 2,605,773,240	\$ 9,027,670,557	\$ 85,145,409	\$ -	\$ 33,699,225	\$ 118,844,634	\$ (382,241)	\$ 118,462,393	\$ 3,694	4.55%	1.31%
2022	32,881	\$ 2,725,017,570	\$ 9,658,565,367	\$ 249,452,572	\$ -	\$ 48,251,689	\$ 297,704,261	\$ (317,278)	\$ 297,386,983	\$ 9,044	10.91%	3.08%
2023	33,255	\$ 2,811,133,131	\$ 10,940,571,039	\$ 285,784,869	\$ -	\$ 42,907,772	\$ 328,692,641	\$ (258,692)	\$ 328,433,949	\$ 9,876	11.68%	3.00%
2024	35,612	\$ 2,887,278,512	\$ 12,150,783,188	\$ 325,465,071	\$ -	\$ 51,457,986	\$ 376,923,057	\$ (200,106)	\$ 376,722,951	\$ 10,579	13.05%	3.10%
2025	35,608	\$ 2,990,217,408	\$ 13,177,172,534	\$ 335,600,190	\$ -	\$ 62,690,344	\$ 398,290,534	\$ (154,274)	\$ 398,136,260	\$ 11,181	13.31%	3.02%

(1) Water and Sewer Funds

Source: Audited Financial Statements, U. S. Census, Division of Local Services

Town of Andover, Massachusetts

Direct and Overlapping Governmental Activities Debt

As of June 30, 2025

<u>Town of Andover, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Greater Lawrence Regional Vocational Technical School District.....	\$ 1,005,000	2.6%	\$ 26,219
Town direct debt.....			<u>335,600,190</u>
Total direct and overlapping debt.....			<u>\$ 335,626,409</u>

Methodologies used to calculate overlapping debt:

Greater Lawrence Regional Vocational Technical School District:

The Town's overlap is based on pupil enrollment.

Source: Official Statement for Sale of Bonds

Town of Andover, Massachusetts

Computation of Legal Debt Margin

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Equalized Valuation.....	\$ 7,120,772,800	\$ 7,972,993,500	\$ 7,972,993,500	\$ 8,453,211,200	\$ 8,453,211,200	\$ 9,328,654,100	\$ 9,328,654,100	\$ 10,204,123,200	\$ 10,204,123,200	\$ 13,020,574,200
Debt Limit -5% of Equalized Valuation.....	\$ 356,038,640	\$ 398,649,675	\$ 398,649,675	\$ 422,660,560	\$ 422,660,560	\$ 466,432,705	\$ 466,432,705	\$ 510,206,160	\$ 510,206,160	\$ 651,028,710
Less:										
Outstanding debt applicable to limit.....	58,166,832	55,577,799	62,265,500	68,407,800	66,000,800	64,801,400	72,282,600	65,845,100	69,974,600	80,877,500
Authorized and unissued debt.....	25,480,303	44,285,856	55,550,553	42,484,000	30,665,000	185,784,867	200,081,319	169,395,871	91,673,111	54,019,031
Legal debt margin.....	<u>\$ 272,391,505</u>	<u>\$ 298,786,020</u>	<u>\$ 280,833,622</u>	<u>\$ 311,768,760</u>	<u>\$ 325,994,760</u>	<u>\$ 215,846,438</u>	<u>\$ 194,068,786</u>	<u>\$ 274,965,189</u>	<u>\$ 348,558,449</u>	<u>\$ 516,132,179</u>
Total debt applicable to the limit as a percentage of debt limit.....	23.49%	25.05%	29.55%	26.24%	22.87%	53.72%	58.39%	46.11%	31.68%	20.72%

Source: Official Statement for Sale of Bonds

Town of Andover, Massachusetts

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2016	32,101	\$ 2,362,344,691	\$ 73,591	39.5	3.6%
2017	32,677	\$ 2,452,833,651	\$ 75,063	39.5	3.7%
2018	32,323	\$ 2,474,778,172	\$ 76,564	39.5	2.8%
2019	32,336	\$ 2,525,279,920	\$ 78,095	42.3	2.7%
2020	32,498	\$ 2,588,693,186	\$ 79,657	42.0	10.8%
2021	32,071	\$ 2,605,773,240	\$ 81,250	42.8	4.5%
2022	32,881	\$ 2,725,017,570	\$ 82,875	45.0	2.8%
2023	33,255	\$ 2,811,133,131	\$ 84,533	43.4	2.5%
2024	35,612	\$ 2,887,278,512	\$ 81,076	43.7	3.6%
2025	35,608	\$ 2,990,217,408	\$ 83,976	43.5	4.4%

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

Town of Andover, Massachusetts
Principal Employers (Excluding Town)
Current Year and Nine Years Ago

Employer	Nature of Business	2025			2016		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Raytheon Company	Missile Systems	10,000+	1	30%	4,750	1	14%
Pfizer Inc	Biotech. Research & Manufacturing	1,000-4,999	2	9%	1,300	4	4%
Smith & Nephew	Medical Equipment	1,000-4,999	3	9%	-	-	-
Mercury Systems Inc.	Technology	500-999	4	2%	-	-	-
Philips Academy	Private School	500-999	5	2%	555	9	2%
Bill Deluca Chev. Auto Body Shop	Automotive	250-499	6	1%	-	-	-
Enel Green Power North America	Renewal Energy	250-499	7	1%	-	-	-
Gillette Co.	Manufacturing	250-499	8	1%	-	-	-
Greater Lawrence Technical	School	250-499	9	1%	-	-	-
Lawrence Rod & Gun Club	Social Organization	250-499	10	1%	-	-	-
Internal Revenue Services	Regional Service Center	-	-	-	3,500	2	10%
Phillips Electro No Amer Corp	Medical Electronics	-	-	-	2,300	3	7%
Putnam Investments	Mutual Funds	-	-	-	900	5	3%
Vicor	Computer Equipment	-	-	-	850	6	2%
Schneider Electric Software	Energy Management	-	-	-	750	7	2%
Verizon	Communications	-	-	-	600	8	2%
Hewlett Packard (Compaq)	Computer Equipment	-	-	-	500	10	1%

Source: MVPC, Massachusetts Department of Workforce Development

Town of Andover, Massachusetts

Full-Time Equivalent Town Employees

Last Ten Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Full-Time Equivalents</u>										
Town.....	356	358	359	359	363	363	364	361	370	372
School.....	<u>874</u>	<u>884</u>	<u>900</u>	<u>908</u>	<u>934</u>	<u>944</u>	<u>962</u>	<u>962</u>	<u>961</u>	<u>935</u>
Total	<u>1,230</u>	<u>1,242</u>	<u>1,259</u>	<u>1,267</u>	<u>1,297</u>	<u>1,307</u>	<u>1,326</u>	<u>1,323</u>	<u>1,331</u>	<u>1,307</u>

Source: Finance Committee Report

Town of Andover, Massachusetts

Operating Indicators by Function/Program

Last Ten Calendar Years

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government										
Population.....	32,101	32,677	32,323	32,336	32,498	32,071	32,881	33,255	33,006	33,548
Registered Voters, Annual Town Election.....	23,302	24,326	23,855	23,952	24,990	25,537	25,041	26,333	26,490	27,300
Town Clerk										
Births.....	243	245	241	265	259	314	292	286	248	285
Marriages.....	137	123	136	126	132	125	119	129	82	139
Deaths.....	293	280	263	258	253	313	321	311	289	290
Dogs licensed.....	2,338	2,365	2,222	2,196	2,152	2,071	2,316	2,264	1,931	2,199
Business Certificates.....	111	112	158	163	175	79	89	111	120	181
New Voter Registrations.....	2,319	2,520	1,598	2,095	2,038	2,114	1,502	1,854	1,688	2,006
Public Safety										
Police										
Documented calls for police services.....	28,017	29,964	31,430	28,415	21,438	19,781	20,328	22,594	24,215	23,297
Arrests.....	406	348	390	282	183	134	118	108	106	157
Domestic Abuse.....	48	62	65	47	43	53	58	51	47	52
Vandalism.....	123	96	124	70	138	74	85	105	75	68
Larceny.....	283	285	276	262	259	242	246	191	203	276
Assaults.....	30	83	42	30	34	33	37	38	46	31
Breaking & Entering.....	51	24	31	33	28	22	29	37	27	65
Motor Vehicle accidents.....	835	906	973	985	729	509	663	621	707	618
Parking tickets issued.....	3,825	3,424	3,799	2,995	2,059	2,820	1,876	1,774	1,908	3,440
Total number of animal complaints.....	806	829	731	655	752	617	710	784	951	894

Town of Andover, Massachusetts

Operating Indicators by Function/Program (Continued)

Last Ten Calendar Years

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fire										
Incidents										
Fires.....	738	812	857	952	828	846	912	1,173	1,283	1,306
EMS Calls.....	3,131	3,214	3,522	3,526	3,598	3,535	3,949	4,588	4,562	4,621
Motor Vehicle Accidents.....	338	285	571	549	497	371	444	459	449	382
Hazardous Conditions.....	249	243	318	785	703	558	440	336	277	242
False Alarms & False Calls.....	740	796	913	1,084	949	953	907	836	936	940
Good Intent Calls.....	104	80	123	215	173	144	111	124	86	121
Mutual Aid (Fire Calls).....	49	54	39	39	61	50	53	60	40	59
Ambulance Mutual Aid Calls.....	112	124	119	105	137	130	174	258	212	254
Fire Prevention Activities.....	916	914	1,982	2,105	2,410	2,537	2,027	1,952	2,038	2,144
Service Calls.....	619	651	599	596	667	603	501	302	286	174
Training.....	181	229	177	190	148	101	145	161	361	338
Co-Activation.....	119	124	149	184	144	111	152	128	155	149
Permits/certificates issued										
Smoke Detectors.....	651	897	744	664	704	905	628	520	565	590
Report Copies.....	64	82	89	109	102	112	117	157	131	170
Blasting Permits.....	3	3	2	3	-	3	-	-	1	-
Cutting/Welding Permits.....	41	44	56	84	91	91	83	87	85	100
Dumpster Permits.....	362	330	218	180	160	139	178	105	100	111
Fireworks Display Permits.....	4	4	6	6	1	1	3	6	4	5
Gunpowder Storage Permits.....	-	1	2	1	1	1	3	1	2	1
Liquid Gas Storage Permits.....	90	79	77	205	87	108	79	67	77	50
Flammable Liquid Storage Permits.....	55	67	72	54	28	101	58	79	68	104
Miscellaneous Permits.....	3	5	7	2	19	15	3	-	79	210
Open Air Burning Permits.....	267	246	364	240	249	229	163	152	192	119
Oil Burner Install Permits.....	110	79	92	116	109	94	118	112	88	81
Commercial Fire Alarm Systems.....	40	42	8	4	44	26	N/A	50	52	40
Special Suppression System Permits.....	6	5	3	11	9	5	4	6	13	-
Sprinkler Install Permits.....	64	55	26	19	47	31	N/A	55	49	30
Underground Tank Removals.....	82	4	3	5	63	71	91	77	75	73
Building Department										
Permits issued.....	1,994	1,940	2,020	2,175	2,228	2,199	2,008	1,766	2,329	2,126

Town of Andover, Massachusetts

Operating Indicators by Function/Program (Continued)

Last Ten Calendar Years

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Education										
Public school enrollment.....	6,075	5,991	5,924	5,957	5,817	5,800	5,608	5,497	5,448	5,497
Public Works										
Cemetery										
Lots sold.....	74	48	34	29	28	41	29	34	48	23
Interments/cremations.....	80	71	81	69	57	82	89	81	85	79
Human Services										
Board of Health										
Plan reviews.....	207	251	210	148	168	149	169	166	142	143
Inspections										
Restaurant	288	391	469	616	404	126	151	314	247	284
Environmental/Sanitary Code.....	311	532	622	512	558	367	439	448	562	490
Complaints investigated.....	108	133	127	148	107	217	89	69	115	162
Administrative Hearings.....	6	4	4	1	-	-	-	-	2	-
Council on Aging										
Home delivered meals served.....	23,108	23,044	26,194	23,810	26,100	27,419	25,656	23,143	25,299	25,112
Medical-van trips.....	1,865	1,461	1,295	1,159	1,014	565	1,073	1,091	1,009	911
Libraries										
Program attendance.....	32,214	33,483	33,593	34,930	15,228	7,136	7,731	18,124	19,712	22,388
Books & Periodicals.....	363,419	345,054	330,907	311,392	227,132	261,736	335,865	350,083	342,599	346,270
PC & Internet Use.....	47,060	50,054	62,400	47,320	37,740	4,056	10,920	14,508	17,420	17,576
Reference Questions.....	65,338	69,381	69,237	69,111	45,060	47,223	58,190	58,379	53,351	57,000
Non-Print Circulation.....	164,300	152,232	141,127	141,439	117,684	111,572	63,266	118,663	129,249	216,865
Sewer										
Service connections.....	6,534	6,518	6,559	6,565	6,603	6,672	6,683	6,693	6,709	6,756
Water										
Daily consumption (in million gallons).....	7.424	6.993	6.995	7.080	7.419	7.909	7.035	7.420	6.490	7.220

Source: Various Town Departments

(concluded)

Town of Andover, Massachusetts

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Government										
Number of Buildings.....	20	19	19	20	20	18	18	19	19	19
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools...	6	6	6	6	6	6	6	6	6	5
Number of middle schools.....	3	3	3	3	3	3	3	3	3	3
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	223	258	258	258	259	223	220	220	220	216
Fire hydrants.....	2,374	2,382	2,382	2,382	2,401	2,401	2,401	1,894	1,902	1,902
Sanitary sewers (miles).....	137	137	150	137	137	137	137	137	137	137
Storm sewers (miles).....	120	120	120	120	121	121	121	122	122	122
Culture and Recreation										
Playgrounds.....	20	20	21	21	21	21	21	21	21	19
Parks.....	6	9	9	9	9	9	9	9	9	9
Playgrounds - Acreage.....	4.0	4.1	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Parks - Acreage.....	30	41	41	41	41	41	41	41	41	41
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Ball fields.....	40	40	40	40	40	40	40	40	40	40
Tennis courts.....	11	11	11	11	11	11	11	17	17	11
Pickleball courts.....	-	-	-	-	-	-	-	-	5	5

Source: Various Town Departments

Report on Internal Control

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the 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 (the “Town”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated February 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Merrimack, NH
February 5, 2026