# *Town of Andover, Connecticut*

State Compliance Audit

June 30, 2015

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*Stephen T. Hopkins, CPA, PC*

Auditing, Accounting, and Consulting Services

# Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

*214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050*


April 30, 2016

Ms. Carol Lee
Town Clerk
Andover Town Hall
17 School Road
Andover, Connecticut 06232

Dear Ms. Lee:

Please find enclosed the following items relating to the audit of the Town of Andover, Connecticut for the year ended June 30, 2015.

1) One (1) copy of the State Compliance Audit of the Town of Andover, Connecticut for the year ended June 30, 2015.

2) One (1) copy of the certificate of delivery required to be filed with the above mentioned State Compliance Audit in accordance with Section 7-393 of the Municipal Auditing Act. In addition, please be aware of Section 7-394 of the General Statutes which provides that within one week after receiving the audit report the Town Clerk shall cause to be published a legal notice in a newspaper having a substantial circulation in the municipality that the said report is on file in the Town Clerk's office.

If we can be of any further assistance to you, or if there are any questions concerning these statements, please don't hesitate to call.

Sincerely,

Stephen T. Hopkins, CPA
President

cc: Mr. Robert F. Burbank
First Selectman
Town of Andover, Connecticut

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In accordance with Section 7-393 of the Municipal Auditing Act, this is to certify that the within is a true and exact copy, of the State Compliance Audit for the Town of Andover, Connecticut for the year ended June 30, 2015, of that furnished to the Town of Andover, Connecticut.

We further certify that the original of this report was mailed by certified mail to Ms. Carol Lee, Town Clerk of the Town of Andover, Connecticut, and that an electronic copy of the original of this report was uploaded to the Electronic Audit Report System (EARS) as made available by the Municipal Finance Services Section of the Office of Policy and Management making the original of this report available to the State grantor agencies of the Town of Andover, Connecticut on the 30th day of April 2016.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

April 30, 2016

Town of Andover, Connecticut
June 30, 2015
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# Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

*214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050*


Independent Auditors' Report

Board of Finance
Board of Selectmen
Town of Andover, Connecticut

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Single Audit Act (C.G.S. Sections 4-230 to 236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements do not include the financial information of an entity determined to be a component unit. Accounting principles generally accepted in the United States of America require that the financial reporting entity consist of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, accounting principles generally accepted in the United State of America require the financial data for component units to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Information regarding the assets, liabilities, net position, revenues and expenses of this discretely presented component unit were not provided so therefore the financial effect of this exclusion cannot be determined.

**Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the Town of Andover, Connecticut, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Connecticut, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Andover, Connecticut's basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual fund financial statements, the schedule of property taxes levied, collections and outstanding balances, the schedule of debt limitation, and the schedule of expenditures of state financial assistance as required by the State Single Audit Act are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the information described above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2016, on our consideration of the Town of Andover, Connecticut'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Andover, Connecticut's internal control over financial reporting and compliance.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
April 19, 2016

Our discussion and analysis of the Town of Andover, Connecticut's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read this analysis in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information of the Town. This management discussion and analysis is being presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements.

**Financial Highlights - Government-wide financial statements**

- The Town's total assets exceeded its total liabilities by $8,958,020 (net position) as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by $8,511,719 as restated. This represents a favorable increase of $446,301 or approximately 5.24%.

- The Town's net investment in capital assets net position balance is used to account for the total capital assets of the Town reduced by the total accumulated depreciation on those assets, reduced by the total outstanding debt incurred to purchase those assets. The total net investment in capital assets net position balance of the Town was $5,822,109 (64.99% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of $5,771,769 (64.22% of total net position). This represents an increase of approximately .87%which is the result of a decrease in the related bond payable of $90,000, a decrease in the related capital lease payable of $28,375 and the incursion of a new note payable in the amount of ($13,580) and principal payments thereon of $6,790, current year depreciation in the amount of ($491,141), and current year capital asset additions in the amount of $429,896. These current year additions represent the current expenditure for the times farm bridge road project, a new senior van, school computer purchases and a number of other items as well as current year paving and related costs which are classified as infrastructure asset additions.

- The Town's restricted net position is used to account for funds received with constraints imposed by grantors and contributors. This net position *cannot* be used to finance the day-to-day activities and operations of the Town. The total restricted net position balance of the Town was $130,433 (1.46% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of $121,427 (1.35% of total net position). This represents an increase of approximately 7.42% and is made up in part by an increase in town permanent fund balances in the amount of $3,167. The restricted contribution funds balance of the Town is made up of the total restricted fund balance amounts shown in the fund financial statements less the amount of any remaining unearned grant funds in the government-wide financial statements.

- The Town's unrestricted net position balance is the component of net position which is used to finance the day-to-day activities and operations without constraints imposed by creditors, grantors, contributors, or other rules and regulations as imposed by other governments or enabling legislation. The total unrestricted net position balance of the Town was $3,005,478 (33.55% of total net position) as of the end of the current fiscal year. This compares to the prior fiscal year balance of $3,094,930 (34.43% of total net position). This represents an unfavorable decrease of approximately 2.89%.

- The Town's total revenues for its governmental activities were $11,810,212 for the current fiscal. This revenue balance includes $8,096,164 in property tax revenue, $3,465,476 in operating grants and $25,632 in capital grants. The amount of capital grants decreased from $44,754 in the prior fiscal year due in part to the amount of expenditures incurred for work in progress on the times farm bridge road project which is being funded by a federal pass-through grant and a State Steap grant.

- The cost of the Town's governmental activities was $11,363,911 for the current fiscal year. The amount of these costs ultimately financed by general revenues of the Town, however, was only $7,751,003 due to a portion of these costs being paid for by individuals receiving certain benefits through charges for services in the amount of $121,800, and through operating and capital grants received from the State (state and federal dollars) in the amount of $3,491,108. This amounts to approximately 68.21% of the cost of these governmental activities actually being financed by general revenues of the Town. The individual breakdown of how these charges for services and operating and capital grants where received by department for the current fiscal year is shown in the Statement of activities on page 11.

- The Board of Education of the Town received approximately $256,110 in grant dollars from a number of sources including State grant funds and Federal pass-through grant funds to assist in a number of educational programs, from improving basic programs to enhancing education through technology. This balance excludes $31,891 in excess special education cost reimbursements received from the State. This compares to approximately $218,620 in the prior fiscal year which excluded $132,562 in excess special education cost reimbursements received from the State. These revenue amounts represent the amounts recorded by the Town in the fund financial statements. The amounts shown in the government-wide financial statements have been adjusted for unearned amounts which are recorded as unearned revenues on the Statement of net position.

## Using this annual report

This annual report consists of a series of financial statements. The government-wide financial statements consist of the Statement of net position and the Statement of activities which are shown on pages 10 and 11 and which provide information about the activities of the Town as a whole and present a longer-view of the Town's finances. The fund financial statements consist of the Balance sheet and the Statement of revenues, expenditures, and changes in fund balances which are shown on pages 12 and 14 and tell how the services of the Town were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds. Budget to actual information is reported in these fund financial statements for the general fund on pages 16 and 17. The remaining statement provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of groups outside of the Town. These statements report the fiduciary activities of the Town of which the Town only operates in an agency fund capacity.

## Reporting the Town as a whole

Our analysis of the Town as a whole begins on page 10 with the Statement of net position. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the current fiscal years activities?" The statement of net position and the statement of activities report information about the Town as a whole and about its activities in a way that helps answer this question. The statement of net position includes all of the assets and liabilities of the Town using the accrual basis of accounting. This basis of accounting is similar to the accounting policies and procedure utilized by most private-sector (for profit) companies. All of the current fiscal year revenues and expenses are taken into account regardless of when cash is received or paid in the Statement of activities.

These two statements report the Town's net position and the changes in this net position. You can think of this net position as one way to measure the financial health and financial position of the Town. The net position balance is made up of the difference between the assets and liabilities of the Town. Over time, increases and decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. However, you also need to consider other non-financial factors which affect the overall financial health of the Town such as changes in the property tax base, the conditions of the infrastructure of the Town, and the general economy present at the time. These two statements are divided into three different kinds of activities on the reporting level. These categories are governmental, business-type, and discretely presented component units. The Town's activities are classified solely as governmental activities and are characterized as follows:

- Governmental activities - All of the Town's basic services are reported here, including general government, public works, public safety, sanitation and waste services, building planning and zoning services, community services, health and welfare services, recreation services, education, and other unclassified programs and activities. Property taxes, charges for services, State and Federal operating and capital grants and other funding, and other miscellaneous revenues finance most of these activities in whole or in part.

## Reporting the Town's most significant funds

Our analysis of the Town's major funds begins on page 12 with the Balance sheet. The fund financial statements provide detailed information about the most significant funds of the Town but not a combined picture of the Town as a whole. Some of these funds are required to be established by State law or by bond covenants. In addition, the Board of Finance of the Town has the authority to establish many other funds which it uses to help control and manage money for particular purposes (such as town aid roads and the dog fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money (such as the grant revenue received and expended for school grants). The Town uses governmental funds which are characterized as follows:

- Governmental funds - All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end that are available for spending. These funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting measures cash and all other financial assets that can readily be converted into cash. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs and activities. The relationship between governmental activities and governmental funds is presented in a reconciliation at the bottom of the fund financials.

## The Town as a trustee

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used by the Town to report assets held in a trustee or agency capacity for other groups and therefore cannot be used to support the Town's own programs. The type of fiduciary funds for which the Town is the trustee are agency funds. Agency funds are used by the Town to report resources held by the Town or resources under the tax identification number of the Town and the Board of Education. These resources are held in a purely custodial capacity in which assets equal liabilities. These funds are typically characterized by the receipt, temporary investment, and remittance of the fiduciary resources of other individuals, student groups, private organizations, or other governments. Town agency funds consist of different types of building, planning and zoning bonds being held by the Town until certain requirements have been met by either the individual or company as well as senior group funds. The Board of Education fiduciary funds consist of student activity accounts.

## The Town as a whole - Assets, liabilities, and net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year as compared to the prior fiscal year. The current ratio compares the current assets of the Town to its current liabilities and gives an indication of the Town's ability to pay current obligations. As of the end of the current fiscal year the current ratio of the Town was 5.14 to 1 compared to the end of the prior fiscal year when the current ratio was 4.47 to 1. This current and prior fiscal year ratio is considered very strong. Another indication of the Town's ability to meet its current obligations with current assets is called its working capital. This is calculated by subtracting the current liabilities from the current assets. As of the end of the current fiscal year the Town's positive working capital balance was $3,238,943. This compares to the prior fiscal year positive balance of $2,830,503. This represents a favorable increase of approximately 14.43%.

| | Governmental activities | | Percentage of total | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current assets | $ 4,020,877 | $ 3,645,107 | 36.19% | 33.72% |
| Other assets | 537,358 | 553,368 | 4.84% | 5.12% |
| Capital assets | 6,550,949 | 6,612,194 | 58.97% | 61.16% |
| | 11,109,184 | 10,810,669 | 100.00% | 100.00% |
| Deferred outflows of resources | 107,504 | - | 100.00% | - |
| Current and other liabilities | 781,934 | 814,604 | 36.80% | 44.70% |
| Long-term liabilities outstanding | 1,342,880 | 1,007,939 | 63.20% | 55.30% |
| | 2,124,814 | 1,822,543 | 100.00% | 100.00% |
| Deferred inflows of resources | 133,854 | - | 100.00% | - |
| Net position: | | | | |
| Net investment in capital assets | 5,822,109 | 5,771,769 | 64.99% | 64.22% |
| Restricted | 130,433 | 121,427 | 1.46% | 1.35% |
| Unrestricted | 3,005,478 | 3,094,930 | 33.55% | 34.43% |
| | $ 8,958,020 | $ 8,988,126 | 100.00% | 100.00% |
| Restricted net position: | | | | |
| Expendable: | | | | |
| Restricted contribution funds | $ 33,432 | $ 29,630 | | |
| Non-principal portion of permanent funds | 28,092 | 24,925 | | |
| | 61,524 | 54,555 | | |
| Non-expendable: | | | | |
| Prepaid items | 10,114 | 8,077 | | |
| Principal portion of permanent funds | 58,795 | 58,795 | | |
| | 68,909 | 66,872 | | |
| | $ 130,433 | $ 121,427 | | |

## The Town as a whole - Revenues, expenses, and changes in net position

The information provided below represents government-wide information for the governmental activities of the Town for the current fiscal year. The revenues and expenses shown below are recorded on the accrual basis of accounting. Program revenues received by the Town specifically relating to or generated by individual departments are applied to the departmental expenditures to determine the amount and percentage of total Town expenditures actually financed by the general revenues of the Town. This amount and percentage is shown at the bottom of this schedule and can be used to give the reader an indication of how the Town's activities were financed during the current fiscal year. The expenses shown below indicates the general make-up of the Town's spending by department and as a percentage of total spending.

| | Governmental activities | | Percentage of total | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Program revenues** | | | | |
| Charges for services | $ 121,800 | $ 120,231 | 1.03% | 1.03% |
| Operating grants | 3,465,476 | 3,400,233 | 29.34% | 29.00% |
| Capital grants | 25,632 | 44,754 | 0.22% | 0.38% |
| General revenues | | | | |
| Property taxes revenues | 8,096,164 | 8,045,027 | 68.55% | 68.62% |
| State property tax relief revenues | 35,950 | 32,993 | 0.30% | 0.28% |
| Other unclassified state revenues | 20,178 | 18,716 | 0.17% | 0.16% |
| Net change in the fair value of investments | 2,461 | 3,338 | 0.02% | 0.03% |
| Interest and dividends | 8,114 | 4,016 | 0.07% | 0.03% |
| Miscellaneous | 34,437 | 54,994 | 0.30% | 0.47% |
| Total revenues | 11,810,212 | 11,724,302 | 100.00% | 100.00% |
| Expenses | | | | |
| General government | 887,062 | 870,768 | 7.81% | 7.43% |
| Public works | 468,378 | 453,616 | 4.12% | 3.87% |
| Public safety | 358,352 | 334,894 | 3.15% | 2.86% |
| Sanitation and waste | 135,363 | 139,125 | 1.19% | 1.19% |
| Building, planning and zoning | 71,184 | 63,902 | 0.63% | 0.55% |
| Community services | 136,357 | 136,876 | 1.20% | 1.17% |
| Health and welfare | 55,039 | 56,161 | 0.48% | 0.48% |
| Recreation | 15,316 | 16,292 | 0.13% | 0.14% |
| Education | 8,598,398 | 9,007,207 | 75.66% | 76.91% |
| Education - on behalf | 533,260 | 528,540 | 4.69% | 4.51% |
| Unclassified and program | 1,632 | 1,000 | 0.01% | 0.01% |
| Capital outlay | 38,597 | 45,790 | 0.34% | 0.39% |
| General infrastructure depreciation | 28,839 | 22,573 | 0.25% | 0.19% |
| Debt service: | | | | |
| Interest | 36,134 | 35,235 | 0.34% | 0.30% |
| Total expenses | 11,363,911 | 11,711,979 | 100.00% | 100.00% |
| Change in net position | 446,301 | 12,323 | | |
| **Net position - July 1 - restated** | 8,511,719 | 8,975,803 | | |
| **Net position - June 30** | $ 8,958,020 | $ 8,988,126 | | |
| Expenses financed by general revenues. | | | | |
| Total expenses | $ 11,363,911 | $ 11,711,979 | | |
| Total program revenues | -3,612,908 | -3,565,218 | | |
| | $ 7,751,003 | $ 8,146,761 | 68.21% | 69.56% |

## Capital assets

The capital assets of the Town include land, land improvements, buildings, building improvements, vehicles, equipment, and infrastructure assets that are used in the operations of the Town and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets and improvements thereto are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved town roads, unimproved town roads, and bridges. The infrastructure assets shown below include the current and prior fiscal year expenses of the Town for improvements to roads within the Town recorded at their actual historical cost or estimated historical cost when the actual costs were not available. More detailed information on the capital assets of the Town can be found in note 1K on page 23 and note 5 on page 31.

| | Governmental Activities | | Percentage of total | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Land and improvements | $ 1,175,732 | $ 1,175,732 | 8.27% | 8.53% |
| Construction in progress | 72,109 | 46,477 | 0.51% | 0.34% |
| Buildings and improvements | 9,376,429 | 9,326,018 | 65.94% | 67.63% |
| Vehicles | 1,712,777 | 1,663,427 | 12.04% | 12.06% |
| Equipment | 447,901 | 378,728 | 3.15% | 2.75% |
| Infrastructure | 1,435,435 | 1,200,105 | 10.09% | 8.69% |
| Total historical cost | 14,220,383 | 13,790,487 | 100.00% | 100.00% |
| Less accumulated depreciation | -7,669,434 | -7,178,293 | | |
| Total capital assets (net) | $ 6,550,949 | $ 6,612,194 | | |

## Debt administration

The types of long-term debt normally incurred by the town include bonds, notes, and capital leases payable and the types of other debt related liabilities or the town include accrued compensated balances (accumulated vacation and sick time) in accordance with the established personnel polices of the Town and Board of Education and other post employment benefit liabilities and net pension liabilities in accordance with generally accepted accounting principles. All long-term debt is incurred through the approval of the inhabitants of the Town in accordance with applicable state statutes. The applicable state debt limitations as set forth in the Connecticut General Statutes, Section 7-374 (b) and the towns outstanding balances in comparison to these limitations can be found in the schedule of debt limitations, Sub-schedule B on page 57. The comparison of the outstanding debt shown below indicates that the general make-up of the Town's different types of debt as a percentage of total debt was consistent for the current fiscal year in comparison to the prior fiscal year. The net pension liability was added as part of a prior period adjustment in accordance with generally accepted accounting principles. The portion due within one year and due after one year changed based on variations in the applicable payment schedules as well as the incursion of one new notes payable. More detailed information on the debt of the Town can be found in note 6 on page 32.

| | Governmental Activities | | Percentage of total | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Outstanding payables: | | | | |
| Portion due within one year | $ 122,894 | $ 118,376 | 8.38% | 6.92% |
| Portion due after one year | 605,946 | 722,049 | 41.34% | 42.20% |
| Other liabilities: | | | | |
| Accrued compensated balances - school | 84,525 | 76,289 | 5.77% | 4.46% |
| Accrued compensated balances - town | 18,359 | 22,601 | 1.25% | 1.32% |
| Other post employment benefits | 216,000 | 187,000 | 14.74% | 10.93% |
| Net pension liability | 418,050 | 584,673 | 28.52% | 34.17% |
| Total debt | $ 1,465,774 | $ 1,710,988 | 100.00% | 100.00% |

The previous sections of this management discussion and analysis have been presented for the current fiscal year with a focus on the comparative analysis of the information on the governmental activities of the Town as found in the government-wide financial statements. Comparative financial information has not been included for the fund financial statements of the Town. The following financial highlights, however, do relate to the balances and results of the activities of the Town's individual funds as found in its fund financial statements. Detailed current year information on the Town's individual funds can be found on the Balance sheet on page 12 and the Statement of revenues, expenditures, and changes in fund balances on page 14.

**Financial highlights - Fund financial statements**

- The total assets of the Town's governmental funds exceeded the total liabilities by $4,192,211 which represents the fund balance of these funds as of the end of the current fiscal year. This compares to the prior fiscal year when total assets exceeded total liabilities by $3,802,037, a favorable increase of $390,174 or approximately 10.26%. This favorable increase is due to the positive results of the general fund of $309,843, the positive results of the town capital reserves fund of $84,195 and the negative results of the non-major governmental funds of ($3,864).

- The total revenues of the Town's governmental funds were $11,803,438 for the current fiscal year. This revenue balance includes property tax revenues of $8,103,671 and intergovernmental revenues of $3,531,448. The amount of property tax revenues recognized by the Town increased from $8,027,284 in the prior fiscal year to $8,103,671 in the current fiscal year. This increase was due in part to an increase in the actual commitment of $45,913 and a decrease in the annual unearned revenue amount of $3,098 which is applied as an increase to property tax revenues.

- The total expenditures of the Town's governmental funds were $11,426,844 for the current fiscal year. This expenditure balance includes education expenditures of $8,367,177 for elementary and secondary education and programs and $533,260 as recorded on-behalf State Department of Education payments for teachers into the State Teacher's Retirement System. Also included in this expenditure balance is $381,373 in capital outlay expenditures including $235,330 in paving and infrastructure costs, $49,350 for the purchase of a new senior activities van for the town, and a number of other items. The above State on-behalf payment of $533,260 compares to $528,540 during the prior fiscal year. This increase is due in part to the State increasing its funding or appropriation percentage from 24.79% in the prior fiscal year to 25.60% in the current fiscal year.

- The net change in fund balance (excess or deficiency of revenues over-under expenditures) for the Town's general fund was a positive $309,843 for the current fiscal year. This positive change in fund balance includes the fact that $163,329 of the current year tax commitment was recorded as a specific revenue source in a number of special revenue funds relating to the approved budgeted transfers. This positive change relates in part to the following selected budgetary highlights.

- The actual revenues received in the Town's general fund were $19,559 higher than the budget revenues for the current fiscal year which is a favorable variance. This "over collection" of budgeted revenues relates to a number of budgeted revenue categories. Property tax revenue was ($40,578) under the budget amount, State education revenue receipts were $20,385 over the budgeted amount, state tax relief revenues were $18,876 over the budgeted amount and state other revenue receipts were $9,648 over the budgeted amount. This over collection of revenues in the current fiscal year compares to an under collection of revenues during the prior fiscal year of ($47,437) which was an unfavorable variance.

- The actual program expenditures in the Town's general fund were $310,978 lower than the budgeted expenditures for the current fiscal year which is a favorable variance. This under expenditure is mostly due to the elementary education budget which was under expended by $160,665. In addition, insurance expense was under-expended by $31,987, library salary costs were under-expended by $23,385, contingency was under-expended by $15,000, new town hall expense was under-expended by $9,281 and the building department was under-expended by $8,174. In addition, individual line item amounts were transferred within departments to cover over expended budget line items. Transfers between departments and line items of approximately $75,434 were made during the current fiscal year. Transfers between departments and line items of approximately $66,161 were made in the prior fiscal year as adjusted. All of the budgeted line item transfers were approved by the Board of Selectmen and Board of Finance as required. In addition, a portion of the remaining unspent elementary education appropriation in the amount of $42,950 was transferred to the school improvement capital reserve fund in accordance with State legislature section 10-248a.

- In the current fiscal year, the inhabitants of the Town did not approve the use of any of its unassigned general fund balance to offset current year budgeted expenditures in order to lower the amount of revenues that would need to be raised with the annual tax commitment. This would have been in effect be the same as budgeting for a loss due to the fact that prior year accumulated balances cannot be shown as current year revenues. In the prior fiscal, the inhabitants of the Town approved the use of $166,103 of its unassigned general fund balance in this same manner.

## Economic factors and next year's budgets and rates

The Town believes it has steadily maintained a sufficient unrestricted net position and unassigned fund balance to sustain the governmental activities and operations for an estimated two month period of time. The Town sees this trend continuing through future fiscal years. There are no currently known facts, decisions or conditions that the Town believes will significantly effect the financial position or results of the operations of the Town in the future.

## Contacting the Town's financial management

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report or need additional financial information, contact the Town Finance Department at 17 School Road, Andover, Connecticut 06232.

**Town of Andover, Connecticut**
Statement of net position
June 30, 2015

| | Governmental activities |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash | $ 3,843,789 |
| Property taxes receivable | 125,414 |
| Intergovernmental receivables | 31,743 |
| Other receivables | 9,817 |
| Prepaid items | 10,114 |
| Total current assets | 4,020,877 |
| Capital assets | |
| Non-depreciable | 1,247,841 |
| Depreciable (net) | 5,303,108 |
| Total capital assets | 6,550,949 |
| Other assets | |
| Restricted cash | 490,560 |
| Restricted investments | 22,637 |
| Long-term accounts receivable | 24,161 |
| Total other assets | 537,358 |
| Total Assets | 11,109,184 |
| **Deferred outflows of resources** | |
| Pensions | 107,504 |
| **Liabilities** | |
| Accounts payable | 63,989 |
| Accrued payroll | 57,318 |
| Other liabilities | 792 |
| Unearned revenues | 536,941 |
| Long-term debt | |
| Portion due within one year | 122,894 |
| Portion due after one year | 605,946 |
| Accrued compensated balances | 102,884 |
| Other post-employment benefit liability | 216,000 |
| Net pension liability | 418,050 |
| Total liabilities | 2,124,814 |
| **Deferred inflows of resources** | |
| Pensions | 133,854 |
| **Net position** | |
| Net Investment in capital assets | 5,822,109 |
| Restricted | |
| Expendable | 61,524 |
| Non-expendable | 68,909 |
| Unrestricted | 3,005,478 |
| Total net position | $ 8,958,020 |

**See the accompanying notes to the basic financial statements.**

# Town of Andover, Connecticut
## Statement of activities
## For the year ended June 30, 2015

| Primary government: | Expenses | Program Revenues: Charges for services | Program Revenues: Operating grants and contributions | Program Revenues: Capital grants and contributions | Net (expense) revenue and changes in net position: Total governmental activities |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| General government | $ -887,062 | $ 54,544 | $ 5,000 | $ - | $ -827,518 |
| Public works | -468,378 | - | 224,098 | - | -244,280 |
| Public safety | -358,352 | - | 1,740 | - | -356,612 |
| Sanitation and waste | -135,363 | 1,008 | - | - | -134,355 |
| Building, planning and zoning | -71,184 | 16,627 | - | - | -54,557 |
| Community services | -136,357 | - | 13,214 | - | -123,143 |
| Health and welfare | -55,039 | - | - | - | -55,039 |
| Recreation | -15,316 | 10,040 | - | - | -5,276 |
| Education | -8,598,398 | 39,581 | 2,688,164 | - | -5,870,653 |
| Education - on behalf | -533,260 | - | 533,260 | - | - |
| Unclassified and program | -1,632 | - | - | - | -1,632 |
| Capital outlay | -38,597 | - | - | 25,632 | -12,965 |
| Depreciation | | | | | |
| General infrastructure | -28,839 | - | - | - | -28,839 |
| Debt service | | | | | |
| Interest | -36,134 | - | - | - | -36,134 |
| | $ -11,363,911 | $ 121,800 | $ 3,465,476 | $ 25,632 | -7,751,003 |

| | |
|---|---|
| **General revenues:** | |
| Property tax revenues, interest, and liens | 8,096,164 |
| State property tax relief revenues | 35,950 |
| Other unclassified state revenues | 20,178 |
| Net change in fair value of investments | 2,461 |
| Interest and dividends | 8,114 |
| Miscellaneous | 34,437 |
| Total general revenues | 8,197,304 |
| Change in net position | 446,301 |
| Net position - July 1 | 8,988,126 |
| Prior period adjustment - Note 16 | -476,407 |
| **Net position - July 1 - restated** | 8,511,719 |
| **Net position - June 30** | $ 8,958,020 |

See the accompanying notes to the basic financial statements.

**Town of Andover, Connecticut**
Balance sheet - Governmental funds
June 30, 2015

| | General fund | Town capital reserves fund | Non-major governmental funds | Total governmental funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 3,367,216 | $ 523,328 | $ 443,805 | $ 4,334,349 |
| Investments | - | - | 22,637 | 22,637 |
| Receivables (net of allowance) | | | | |
| Property taxes | 125,414 | - | - | 125,414 |
| Intergovernmental | 30,693 | - | 1,050 | 31,743 |
| Other | 9,242 | - | 575 | 9,817 |
| Prepaid items | 10,114 | - | - | 10,114 |
| Due from other funds | 16,989 | 55,450 | 457,908 | 530,347 |
| Total assets | $ 3,559,668 | $ 578,778 | $ 925,975 | $ 5,064,421 |
| **Liabilities** | | | | |
| Accounts payable | $ 58,509 | $ - | $ 5,480 | $ 63,989 |
| Accrued payroll | 48,931 | - | 8,387 | 57,318 |
| Other liabilities | 792 | - | - | 792 |
| Unearned revenues | 96,375 | - | 14,256 | 110,631 |
| Due to other funds | 512,976 | - | 17,371 | 530,347 |
| Total liabilities | 717,583 | - | 45,494 | 763,077 |
| **Deferred inflows of resources** | | | | |
| Unavailable revenue - property taxes | 109,133 | - | - | 109,133 |
| Total deferred inflows of resources | 109,133 | - | - | 109,133 |
| **Fund balances** | | | | |
| Nonspendable | 10,114 | - | 58,795 | 68,909 |
| Restricted | - | - | 487,834 | 487,834 |
| Committed | - | 578,778 | 325,075 | 903,853 |
| Assigned | 59,600 | - | 20,310 | 79,910 |
| Unassigned | 2,663,238 | - | -11,533 | 2,651,705 |
| Total fund balances | 2,732,952 | 578,778 | 880,481 | 4,192,211 |
| Total liabilities, deferred inflows of resources and fund balances | $ 3,559,668 | $ 578,778 | $ 925,975 | $ 5,064,421 |

**See the accompanying notes to the basic financial statements.**

**Town of Andover, Connecticut**
Reconciliation of Statement C to Statement A
for all governmental funds and activities
June 30, 2015

| | | |
|---|---|---|
| Fund balances of governmental funds as shown on Statement C | | $ 4,192,211 |
| Amounts reported for governmental activities in the government-wide financial statements (Statement A) are different then the amounts reported in the fund financial statements (Statement C) and must therefore be modified as follows: | | |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported on Statement C however they are reported on Statement A and therefore must be added back in: | | |
| Cost | 14,220,383 | |
| Less accumulated depreciation | -7,669,434 | 6,550,949 |
| 2 The majority of the property tax receivable long-term asset is not available to pay for current period expenditures and therefore it is reported as deferred inflows of resources on Statement C however this amount is considered earned when billed and in turn recorded as revenue on Statement A and therefore must be added back in: | | 109,133 |
| 3 Certain state and federal grant revenues received by the Town are recorded as revenue when the amounts are available and measurable in accordance with the modified accrual basis of accounting in the fund financial statements. In addition, in accordance with the modified accrual basis of accounting the Town defers all revenues that are received prior to their normal period of receipt in the fund financial statements. However, the government-wide financial statements record revenues on the accrual basis of accounting when they have been earned and therefore these revenue amounts are deferred on Statement A and therefore must be subtracted out: | | -426,310 |
| 4 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period, and therefore will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements: | | |
| Deferred outflows of resources | 107,504 | |
| Deferred inflows of resources | -133,854 | -26,350 |
| 5 Long-term liabilities, are not due and payable in the current period and therefore are not reported on Statement C however they are reported on Statement A and must therefore be subtracted out: | | |
| Bonds payable | | |
| Notes payable | -630,000 | |
| Capital leases payable | -6,790 | |
| Accrued compensated balances | -92,050 | |
| Other post employment benefits liability | -102,884 | |
| Net pension liability | -216,000 | |
| | -418,050 | -1,465,774 |
| 6 Delinquent interest and lien fees are recorded as revenue when received and when they become available and measurable however these amounts are recorded on Statement A due to the fact that the amounts are viewed to have been earned and therefore they must be added back in. | | 24,161 |
| Net position of governmental activities as shown on Statement A | | $ 8,958,020 |

**See the accompanying notes to the basic financial statements.**

**Town of Andover, Connecticut**
Statement of revenues, expenditures, and changes in fund balances - Governmental funds
For the year ended June 30, 2015

| | General fund | Town capital reserve funds | Non-major governmental funds | Total governmental funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes, interest, and liens | $ 7,940,342 | $ - | $ 163,329 | $ 8,103,671 |
| Intergovernmental - education | 2,399,934 | - | 288,001 | 2,687,935 |
| Intergovernmental - on behalf | 533,260 | - | - | 533,260 |
| Intergovernmental - tax relief | 35,950 | - | - | 35,950 |
| Intergovernmental - other | 50,388 | - | 223,915 | 274,303 |
| Charges for services | 60,339 | 5,088 | 56,373 | 121,800 |
| Net change in investment fair value | - | - | 2,461 | 2,461 |
| Interest and dividends | 6,027 | 1,157 | 930 | 8,114 |
| Miscellaneous | 15,082 | - | 20,862 | 35,944 |
| Total revenues | 11,041,322 | 6,245 | 755,871 | 11,803,438 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 840,835 | 12,500 | 22,454 | 875,789 |
| Public works | 388,306 | - | 38,252 | 426,558 |
| Public safety | 148,156 | - | 123,254 | 271,410 |
| Sanitation and waste | 134,334 | - | - | 134,334 |
| Building, planning and zoning | 71,184 | - | - | 71,184 |
| Community services | 85,615 | - | 40,068 | 125,683 |
| Health and welfare | 55,039 | - | - | 55,039 |
| Recreation | 7,082 | - | 8,234 | 15,316 |
| Education | 8,043,549 | - | 323,628 | 8,367,177 |
| Education - on behalf | 533,260 | - | - | 533,260 |
| Unclassified and program | - | - | 1,632 | 1,632 |
| Capital outlay | 179,160 | - | 202,213 | 381,373 |
| Non-cash note payable purchase | 13,580 | - | - | 13,580 |
| Debt service: | | | | |
| Principle | 118,375 | - | - | 118,375 |
| Interest | 36,134 | - | - | 36,134 |
| Total expenditures | 10,654,609 | 12,500 | 759,735 | 11,426,844 |
| Excess (deficiency) of revenues over (under) expenditures | 386,713 | -6,255 | -3,864 | 376,594 |
| Other financing sources (uses) | | | | |
| Non-cash note payable proceeds | 13,580 | - | - | 13,580 |
| Transfers in | - | 90,450 | - | 90,450 |
| Transfers out | -90,450 | - | - | -90,450 |
| Total other financing sources (uses) | -76,870 | 90,450 | - | 13,580 |
| Net change in fund balance | 309,843 | 84,195 | -3,864 | 390,174 |
| **Fund balance - July 1** | 2,423,109 | 494,583 | 884,345 | 3,802,037 |
| **Fund balance - June 30** | $ 2,732,952 | $ 578,778 | $ 880,481 | $ 4,192,211 |

**See the accompanying notes to the basic financial statements.**

**Town of Andover, Connecticut**
Reconciliation of Statement D to Statement B
for all governmental funds and activities
For the year ended June 30, 2015

| | | |
|---|---|---|
| Net changes in governmental fund balances as shown on Statement D | | $ 390,174 |
| Amounts recorded for governmental activities in the government-wide financial statements (Statement B) are different then the amounts reported in the fund financial statements (Statement D) and therefore must be modified as follows: | | |
| 1 Capital asset purchases are recorded as expenditures in Statement D and are capitalized and shown as depreciation expense over there estimated useful lives in Statement B. Therefore the following adjustments must be made: | | |
| Current year capital asset purchases to be capitalized | 429,896 | |
| Current year depreciation expense on current and previous capital assets | -491,141 | -61,245 |
| 2 Property tax revenues are recognized on Statement D as described in note 1H to the financial statements however they are recorded in the amount of the annual levy in Statement B and therefore the current year adjustment described in note 1H must be eliminated: | | -3,098 |
| 3 The basis of presentation and revenue recognition is different from the government-wide financial statements shown on Statement B and the fund financial statements shown on Statement D. | | |
| Prior year unearned revenue amounts to be recognized | 440,591 | |
| Current year revenue amounts to be recorded as unearned | -426,310 | 14,281 |
| 4 Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to future periods, therefore it will not be recognized as an expenditure or revenue until then, and therefore, they are not reported in the fund financial statements but they are recorded in the government-wide financial statements. | | |
| Amortization of deferred outflow amounts | | -33,464 |
| 5 Current year employer pension contributions represent a use of current financial resources and therefore are recorded as expenditures in the fund financial statements. However, these contributions are reported as deferred outflows of resources in the government-wide financial statements as they will be used to decrease the net pension liability in the subsequent fiscal year and therefore they must be added back in. Some expenses reported in the government-wide financial statements do not require the use of current financial resources and, therefore, are not reported as expenditures in the fund financial statements | | |
| Current year employer pension contributions | 107,504 | |
| Current year pension expense | -42,033 | 65,471 |
| 6 Payments on and changes in long-term liabilities are recorded as current year activities on Statement D however they are shown as increases or decreases in liability accounts in the government-wide financial statements and therefore must be adjusted accordingly: | | |
| Bond, note and capital lease payable principal repayments | 125,165 | |
| Non-cash note payable proceeds | -13,580 | |
| Accrued compensated balances increase | -3,994 | |
| Other post-employment benefits liability increase | -29,000 | 78,591 |
| 7 Estimated accounts receivable for delinquent interest and lien fees are recorded as revenue when received on Statement D and as a reduction in a recorded receivable on Statement B and therefore must not be shown as current activity: | | |
| Prior year recorded delinquent interest and lien receivable balance | -28,570 | |
| Current year recorded delinquent interest and lien receivable balance | 24,161 | -4,409 |
| Change in net position of governmental activities as shown on Statement B | | $ 446,301 |

See the accompanying notes to the basic financial statements.

**Town of Andover, Connecticut**
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2015

| | Original budget | Budget revisions | Final budget | Actual | Variance |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Property tax revenues | $ 8,144,249 | $ - | $ 8,144,249 | $ 8,103,671 | $ -40,578 |
| Intergovernmental - education | 2,379,549 | - | 2,379,549 | 2,399,934 | 20,385 |
| Intergovernmental - tax relief | 17,074 | - | 17,074 | 35,950 | 18,876 |
| Intergovernmental - other | 40,740 | - | 40,740 | 50,388 | 9,648 |
| Charges for services | 51,020 | - | 51,020 | 60,339 | 9,319 |
| Interest and dividends | 1,000 | - | 1,000 | 6,027 | 5,027 |
| Miscellaneous | 18,200 | - | 18,200 | 15,082 | -3,118 |
| Total revenues | 10,651,832 | - | 10,651,832 | 10,671,391 | 19,559 |
| **Expenditures** | | | | | |
| General government: | | | | | |
| Selectmen | 56,752 | -104 | 56,648 | 56,119 | 529 |
| Board clerks | 2,431 | - | 2,431 | 1,773 | 658 |
| Audit and actuarial services | 18,750 | - | 18,750 | 14,925 | 3,825 |
| Legal contracted and ads | 21,000 | -6,151 | 14,849 | 12,324 | 2,525 |
| Treasurer | 46,536 | -1,000 | 45,536 | 44,663 | 873 |
| Tax collector | 52,513 | - | 52,513 | 52,106 | 407 |
| Assessor | 71,348 | - | 71,348 | 70,489 | 859 |
| Board of appeals | 900 | - | 900 | 843 | 57 |
| Town clerk | 80,015 | -2,205 | 77,810 | 78,267 | -457 |
| Probate court | 2,265 | 104 | 2,369 | 2,369 | - |
| Elections | 20,212 | - | 20,212 | 16,979 | 3,233 |
| Registrars | 6,327 | - | 6,327 | 5,247 | 1,080 |
| Old town hall costs | 4,670 | - | 4,670 | 538 | 4,132 |
| New town hall costs | 74,106 | -925 | 73,181 | 63,900 | 9,281 |
| Administrative assistant | 7,295 | - | 7,295 | 6,712 | 583 |
| Custodial and cleaning services | 9,055 | - | 9,055 | 8,777 | 278 |
| Dog warden and costs | 7,344 | - | 7,344 | 7,126 | 218 |
| Insurance | 128,000 | - | 128,000 | 96,013 | 31,987 |
| Employee benefits | 302,744 | - | 302,744 | 301,665 | 1,079 |
| Miscellaneous | 200 | - | 200 | - | 200 |
| Contingency | 15,000 | - | 15,000 | - | 15,000 |
| | 927,463 | -10,281 | 917,182 | 840,835 | 76,347 |
| Public works | | | | | |
| Department of public works | 238,785 | - | 238,785 | 235,395 | 3,390 |
| Snow removal | 104,400 | 21,526 | 125,926 | 125,178 | 748 |
| Town garage | 16,750 | - | 16,750 | 14,778 | 1,972 |
| Engineer | 2,500 | - | 2,500 | - | 2,500 |
| Street lights | 7,500 | - | 7,500 | 5,445 | 2,055 |
| Grounds maintenance | 8,700 | - | 8,700 | 7,510 | 1,190 |
| | 378,635 | 21,526 | 400,161 | 388,306 | 11,855 |
| Public safety | | | | | |
| Law enforcement | 119,429 | 9,356 | 128,785 | 128,542 | 243 |
| Old fire house | 9,725 | - | 9,725 | 8,198 | 1,527 |
| Fire marshal | 10,712 | - | 10,712 | 9,307 | 1,405 |
| Civil preparedness | 3,150 | - | 3,150 | 2,109 | 1,041 |
| | 143,016 | 9,356 | 152,372 | 148,156 | 4,216 |
| Sanitation and waste | | | | | |
| Transfer station | 154,915 | -20,315 | 134,600 | 132,888 | 1,712 |
| Recycling | 2,200 | - | 2,200 | 1,446 | 754 |
| | 157,115 | -20,315 | 136,800 | 134,334 | 2,466 |

**See the accompanying notes to the basic financial statements.**

**Town of Andover, Connecticut**
Statement of revenues, expenditures, and changes in fund balance
Budget and actual (Budgetary basis) - General fund
For the year ended June 30, 2015

| | Original budget | Budget revisions | Final budget | Actual | Variance |
|---|---|---|---|---|---|
| Building, planning, and zoning | | | | | |
| Building department | $ 47,850 | $ - | $ 47,850 | $ 39,676 | $ 8,174 |
| Planning and zoning | 9,340 | - | 9,340 | 7,884 | 1,456 |
| Zoning agent | 11,495 | - | 11,495 | 7,502 | 3,993 |
| Zoning board of appeals | 1,493 | - | 1,493 | - | 1,493 |
| Inland wetlands commission | 10,635 | - | 10,635 | 8,692 | 1,943 |
| Other commissions | 9,325 | -286 | 9,039 | 7,430 | 1,609 |
| | 90,138 | -286 | 89,852 | 71,184 | 18,668 |
| Community services | | | | | |
| Dial a ride | 16,300 | - | 16,300 | 14,457 | 1,843 |
| Senior citizens | 9,068 | - | 9,068 | 6,427 | 2,641 |
| Library salary and wages | 88,116 | - | 88,116 | 64,731 | 23,385 |
| | 113,484 | - | 113,484 | 85,615 | 27,869 |
| Health and welfare | | | | | |
| Health services | 17,268 | - | 17,268 | 16,018 | 1,250 |
| Youth services | 35,006 | - | 35,006 | 35,006 | - |
| Welfare services | 4,337 | - | 4,337 | 4,015 | 322 |
| | 56,611 | - | 56,611 | 55,039 | 1,572 |
| Recreation | 7,255 | - | 7,255 | 7,082 | 173 |
| Education | | | | | |
| Elementary | 4,269,044 | - | 4,269,044 | 4,108,379 | 160,665 |
| Secondary | 3,949,770 | - | 3,949,770 | 3,949,770 | - |
| | 8,218,814 | - | 8,218,814 | 8,058,149 | 160,665 |
| Capital outlay | 219,451 | -33,145 | 186,306 | 179,160 | 7,146 |
| Debt service: | | | | | |
| Principal | 90,000 | 28,376 | 118,376 | 118,375 | 1 |
| Interest | 31,365 | 4,769 | 36,134 | 36,134 | - |
| | 121,365 | 33,145 | 154,510 | 154,509 | 1 |
| Total expenditures | 10,433,347 | - | 10,433,347 | 10,122,369 | 310,978 |
| Excess of revenues over (under) expenditures | 218,485 | - | 218,485 | 549,022 | 330,537 |
| Other financing sources (uses) | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | -218,485 | - | -218,485 | -253,779 | -35,294 |
| Total other financing sources (uses) | -218,485 | - | -218,485 | -253,779 | -35,294 |
| Net change in fund balance | - | - | - | 295,243 | 295,243 |
| Non-budgeted State on behalf revenue | | | | 533,260 | |
| Non-budgeted State on behalf expenditure | | | | -533,260 | |
| Current year encumbrances | | | | 14,600 | |
| **Fund Balance - July 1** | | | | 2,423,109 | |
| **Fund Balance - June 30** | | | | $ 2,732,952 | |

**See the accompanying notes to the basic financial statements.**

**Town of Andover, Connecticut**
Statement of net position
Fiduciary funds
June 30, 2015

| | Agency funds |
|---|---|
| **Assets:** | |
| Cash | $ 78,487 |
| Investments | - |
| Accounts receivable | - |
| Due from other funds | - |
| Total assets | $ 78,487 |
| **Liabilities:** | |
| Accounts payable | $ 1,000 |
| Unearned revenues | - |
| Due to senior groups | 4,047 |
| Due to student groups | 33,853 |
| Performance bonds payable | 39,587 |
| Total liabilities | 78,487 |
| **Net position:** | |
| Restricted | |
| Expendable | - |
| Non-expendable | - |
| Unrestricted | - |
| Total net position | - |
| Total liabilities and net position | $ 78,487 |

See the accompanying notes to the basic financial statements.

The Town of Andover, Connecticut (the Town) is located in the central section of Connecticut. The Town is a municipal corporation which is governed by an elected Board of Selectmen and Board of Finance.

## Note 1 - Summary of significant accounting policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting. Standards of accounting and financial reporting issued by the Financial Accounting Standards Board, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants Committee on Accounting Procedure on or before November 30, 1989, generally are followed in the government-wide financial statements, when applicable, to the extent that those standards do not conflict with or contradict pronouncements of the GASB. The basic financial statements of the Town consist of government-wide financial statements and fund financial statements. The basis of presentation, measurement focus, and basis of accounting differ for these two types of financial statements and are described separately in Section B and C below. The other following sections represent a summary of the significant accounting policies as applied by the Town.

### A. Reporting entity

The financial reporting entity consists of the primary government and its component units, organizations for which the primary government is financially accountable or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The Town has determined that the Andover Volunteer Fire Department, Inc. (the Association) meets the definition of a component unit due to its fiscal dependence on the Town. For a legally separate entity to be considered fiscally independent it must, among other things, have the authority to determine its budget without the primary government having the authority to approve and modify that budget. The Town approves a certain amount of money on an annual basis to be appropriated to the Association through an appropriation to the fire commission special revenue fund which funds a portion of its operations. The fire commission special revenue fund returns a calculated amount of unused appropriated funds to the general fund of the Town at the end of each fiscal year. Though the Town does not directly have the authority to approve or modify the budget of the Association, it does indirectly do this by deciding the amount that it will or will not appropriate on an annual basis to the fire commission special revenue fund. In addition, the fire safety complex, fire trucks and other major equipment items used by the Association are purchased by the Town. This also creates a level of fiscal dependence due to the fact that the Association could not function in its current capacity without this assistance. In addition to the level of fiscal dependence between the Town and the Association, the Town considers the nature and significance of the relationship with the primary government as such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The activities of the Association should be shown on the Town's financials statements as a discretely presented component unit as opposed to a blended component unit in accordance with the provisions of GASB Statement No. 14 as amended by Statement Nos. 39 and 61. Audited financial information of the Association, however, has not been included in the accompanying government-wide financial statements and therefore the independent auditors' report includes an opinion modification.

### B. Government-wide financial statements

#### 1. Basis of presentation

The government-wide financial statements consist of a statement of net position and a statement of activities. Theses statements report information about the Town as a whole without displaying individual funds or fund types. These statements distinguish between the primary government as well as the governmental and business-type activities of the Town. These statements do not include information about the fiduciary activities and funds of the Town or component units which are fiduciary in nature. Fiduciary activities and funds report assets which are held by the Town in a trustee or agency capacity and which cannot be used to support the activities and programs of the Town.

The statement of net position presents the financial position of the governmental and business-type activities of the primary government of the Town at the end of the fiscal year. This statement reports the assets, liabilities, and net position of the Town. The assets and liabilities are presented in the order of their relative liquidity. The liquidity of assets is determined by how readily they are expected to be converted into cash and whether there are restrictions in place limiting their use by the Town. The liquidity of liabilities is determined by their maturity or by when cash will be used to liquidate them. The net position balance of the Town consists of the net investment in capital assets (net of accumulated depreciation and reduced by the total outstanding debt incurred to purchase the assets), restricted and unrestricted amounts. Restricted net position is present when constraints are imposed externally by creditors, grantors, contributors, other governments, or by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position balances not meeting the definition of invested in capital assets or restricted. Internal balances between individual funds within the governmental and business-type activities are eliminated in this statement to minimize the "grossing-up" of assets and liabilities. These internal balances are also known as inter-fund receivables and payables and are shown in the fund financial statements as due to and due from other funds. Any residual amounts due between the governmental and business-type activities of the Town would be shown as an internal balance and disclosed separately.

The statement of activities presents the operations of the governmental and business-type activities of the primary government of the Town for the fiscal year. The operations of the Town are shown in a format which reports the net (expense) revenue of the individual functions of the Town. The purpose of this net (expense) revenue format is to report the relative financial burden of each of the Town's functions on the taxpayers. Program revenue is applied to each function based on which function generated the specific charges for services and for which functions the operating and capital grants have been received. All taxes are shown as general revenues regardless of whether they where levied for a specific purpose or function. The categories of individual functions correspond to the different departments and operations of the Town. Indirect expenses which benefit the Town as a whole are not required to be allocated among the other functions of the Town and therefore they are not allocated. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Internal activity between individual funds within the governmental and business-type activities are eliminated in this statement. This internal activity is also known as transfers in and out and is shown in the fund financial statements as such. The above information relating to the government-wide financial statements basis of presentation reference both governmental and business-type activities. The Town currently does not have any business-type activities.

**2. Measurement focus and basis of accounting**

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The accrual basis of accounting would be used for both governmental and business-type activities of the primary government of the Town. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In other words, revenues and the related assets are recognized when the are earned and expenses and the related liabilities are recognized when they are incurred. The Town does not have an established policy relating to the use of restricted and unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that restricted amounts would be reduced first and then unrestricted amounts.

**C. Fund financial statements**

**1. Basis of presentation**

The fund financial statements of the Town consist of a balance sheet with a reconciliation to the government-wide statement of net position, a statement of revenues, expenditures, and changes in fund balances with a reconciliation to the government-wide statement of activities, a budgetary comparison schedule for the general fund, and a statement of fiduciary net position. These fund financial statements are designed to report additional and more detailed information about the primary government. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with any special regulations, restrictions, or limitations which may exist. The types of funds shown for the Town are governmental funds and fiduciary funds. The focus of these fund financial statements are on major funds as defined by GASB Statement No. 34. All major funds are reported in a separate column with all non-major funds being aggregated and reported in a single column.

Governmental fund reporting focuses primarily on the sources, uses, and balances of the current financial resources of the Town. The governmental funds used by the Town include the general fund. Other non-major governmental fund types used by the Town include special revenue funds, capital project funds, and permanent funds. The general use and purpose of these individual governmental fund types are as follows. The individual names of each fund within each non-major governmental fund type can be found in the accompanying combining schedules and the purpose of the fund is generally self explanatory within each title.

a. General fund - The general fund is the main operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.

b. Special revenue funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund, however, those amounts should not be recognized as revenue in the fund initially receiving them but rather be shown as revenue in the special revenue fund in which they will be expended for the specified purpose. The restricted or committed proceeds of the specific revenue sources should be expected to continue to make up a substantial portion of the resources flowing into the fund. Other financial resources may also be reported within a special revenue fund as long as those resources are restricted, committed or assigned to the specified purpose of the fund.

c. Capital project funds - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets or for the accumulation of funds for these purposes.

d. Permanent funds - Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs and in effect the benefit of the Town or its citizens.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the Town. The fiduciary funds of the Town consist of only agency funds which are used to report resources held by the Town in a purely custodial capacity. Fiduciary funds of the Town also consist of the funds of other organizations which use the tax identification numbers of the Town and the Board of Education to open and operate separate cash accounts.

The balance sheet is used to report information about the current financial resources (assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances) of each major governmental fund and for all non-major governmental funds in the aggregate. The fund balance amounts within the governmental funds are segregated between nonspendable, restricted, committed, assigned and unassigned amounts. These balances are shown on the face of the balance sheet in the aggregate but are broken out into the required detail in note 1T on pages 26 and 27. An accompanying schedule is also required to be completed to reconcile the total governmental fund balance to the total net position balance of the governmental activities of the Town as shown on the government-wide statement of net position.

The statement of revenues, expenditures, and changes in fund balances is used to report information about the inflows, outflows, and balances of current financial resources of each major governmental fund and all non-major funds in the aggregate. Revenues are classified by major revenue sources while expenditures are classified by categories of individual functions corresponding to the different departments and operations of the Town. The proceeds from the issuance of long-term debt and operating transfers between individual funds are shown as other financing sources and uses. An accompanying schedule is also required to be completed to reconcile the total change in governmental fund balances to the total change in net position of the governmental activities of the Town as shown on the government-wide statement of activities.

The budgetary comparison information is required to be presented for the general fund and each major special revenue or capital project fund that has a legally adopted annual budget. This statement shows the original budget as voted on and appropriated, the changes made to each individual departmental line item within the budget, and the final budget which is compared to the actual revenue and expenditure balances to come up with the favorable or unfavorable variance numbers. The statement of fiduciary net position shows information in regard to the assets and liabilities of the fiduciary funds of the Town (agency funds). The statement of changes in fiduciary net position shows information in regard to the additions to, subtractions from, and net increase or decrease for the year in fiduciary fund net position. Given the type of the fiduciary funds of the Town (agency funds), the statement of changes in fiduciary net position is not applicable for the current fiscal year.

## 2. Measurement focus and basis of accounting

The balance sheet and the statement of revenues, expenditures, and changes in fund balances are prepared using the current financial resources measurement focus and the modified accrual basis of accounting for all governmental and fiduciary funds. Capital assets and long-term debt are not recorded as assets or liabilities on the balance sheet of the Town. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available as net current assets. Property tax revenues are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within the first sixty days after the end of the current fiscal year. Miscellaneous revenues are recorded when received because they are generally not measurable until actually received. Intergovernmental revenues are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. The Town generally considers intergovernmental revenues which are received within the first sixty days after the end of the current fiscal year to be both measurable and available. Expenditures are generally recognized under this basis of accounting when the related fund liability is incurred. Exceptions to this general rule include general long-term debt principal and interest which is recognized when due.

## D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

## E. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts as well as all highly liquid short-term investments with a maturity date within three months of the date acquired by the Town. However, the Town may classify money market accounts, certificates of deposit accounts and other higher yielding accounts as investments regardless of maturity when they are used to gain a higher interest rate in order to more accurately reflect how the Town's cash balances are being used for the benefit of the Town.

## F. Investments

The Town's policy is to value investments at their fair value as of the end of the fiscal year. Some of the types of investments authorized by the State of Connecticut include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, the State local government investment pool (STIF account), and repurchase agreements. The Town does have types of investments other than those authorized by the State. However, they represent assets which have been donated to the Town and therefore are not subject to the limitations of the applicable State statutes. Currently the Town has shares of stock which were donated as part of the Norton School permanent fund.

## G. Receivables & allowance for doubtful accounts

All property tax, intergovernmental, and other receivables are reported net of any allowance for doubtful accounts. Fund financial statement accounts receivable balances include property tax principal amounts, intergovernmental amounts due on grant and other miscellaneous agreements. The current year ending property tax receivable balance is $125,414. The current year intergovernmental receivable balance of $31,743 is made up of state, federal and other grant and awards receivable. The other receivable balance of $9,817 is made up of other miscellaneous amounts. Government-wide financial statements include all of the above mentioned receivable types in addition to accumulated delinquent interest and fees on the outstanding property tax principal amounts. Delinquent interest and fees on suspense tax receivable principal balances are not included. The current year delinquent interest receivable balance is $24,161. The Town will book an unbilled receivable in situations when a grant or contract has incurred expenditures which will be reimbursed by a funding source but which have not yet been fully received in cash for the amount incurred. The current allowance for doubtful accounts in relation to the above mentioned accounts receivable balances was estimated to be $0. The Town considers past experience with receivable balance collections and current aging report details when determining its calculation for an allowance for doubtful accounts. Receivables are only written off once it has been determined that all other methods of collection have been utilized without success.

### H. Revenue recognition - property taxes

The Town's property tax for the current year was levied May 28, 2014 on the grand list as of October 1, 2013, for the real, motor vehicle and personal property located in the Town at a rate of 30.72 mills. Real estate and personal property taxes were due on July 1, 2014, October 1, 2014, January 1, 2015 and April 1, 2015. Motor vehicle taxes were due on July 1, 2014. Supplemental motor vehicle taxes were due on January 1, 2015. Interest on unpaid taxes commenced 30 days after the aforementioned due dates, at 18% per annum. As described earlier, in the fund financial statements property tax revenues are recorded in the amount of the annual principal property tax assessment with an adjustment being made for the amount of principal expected to be collected within the first sixty days after the end of the current fiscal year. In the government-wide financial statements, only the current year principal assessment is recorded as revenue and therefore any adjustment made would need to be reversed.

### I. Tax acquired property

Property which has been foreclosed on by the Town due to non-payment of taxes or other similar situations is classified as tax acquired property at the value of the original outstanding tax receivable amount. Interest and fees on the property are recorded at such time when the property is sold. The Town does not currently have any property being classified as tax acquired.

### J. Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used which is in accordance with the consumption method. On the fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used. The Town currently has no material and reported inventory amounts.

### K. Capital assets

Capital assets of the Town include land, land improvements, buildings, building improvements, vehicles equipment, infrastructure, and all other tangible and intangible assets which may arise that are used in operations and that have an initial useful life extending beyond a single fiscal year. Infrastructure assets and improvements thereto are long-lived capital assets that are normally stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets. The types of infrastructure assets recorded by the Town include but are not limited to improved and unimproved town roads and bridges. All improvements to infrastructure and other capital assets are capitalized which add to the value or materially extend the life of the asset. All capital assets of the Town are recorded at historical cost or estimated historical cost when the actual amount is not available. The historical cost of these assets includes not only the cost of the asset but also capitalized interest charges and other direct costs associated with placing the asset into its intended location and its intended use. The Town maintains a capitalization threshold of $5,000 for all capital assets with the exception of land purchases which are recorded regardless of amount. Donated capital assets are reported at their estimated fair value at the time of acquisition plus other direct costs associated with placing the asset into its intended location and intended use. Capital assets are only shown on the government-wide statement of net position.

Land and land improvements are not depreciated. All other individual capital assets of the Town are depreciated over their estimated useful lives using the straight line method. Under this method, the recorded cost of each capital asset less any estimated residual value is divided by the estimated useful life resulting in an even amount of depreciation to be taken on an annual basis. The estimated residual value is the amount that the capital asset is expected to be worth at the end of its useful life. The general estimated useful lives for specific types of capital assets are 3 - 10 years for equipment, 5 - 10 years for vehicles, 30 - 50 years for buildings and building improvements and infrastructure. Capital assets which are under construction but not yet completed are recorded as construction in progress. These capital assets will not begin to be depreciated until they are completed. Depreciation expense is allocated to the specific functions (sometimes referred to as departments) of the Town based on which function purchased or benefits from the assets. Depreciation on assets shared between two or more functions is allocated based on the percentage purchased by each function. If the benefit received from these assets shifts from the function making the purchase to another function in a material amount, the depreciation amount being charged will be shifted accordingly. Depreciation on capital assets which benefit all of the functions of the Town, such as infrastructure assets, is shown as a separate line item. Depreciation expense on capital assets is only shown on the government-wide statement of activities.

### L. Prepaid items

Payments made to vendors for services and in certain circumstances goods that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses-expenditures using the consumption method by recording an asset for the prepaid amount and reflecting the expense-expenditure in the subsequent year (s) in which the services are consumed. Expenditures relatively minor in nature for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. The Town considers relatively minor in nature generally to include aggregated similar items not exceeding $2,500. Payments made to vendors for services and in certain circumstances goods that will only benefit periods beyond the end of the fiscal year which are related to grants and other governmental fund activities are recorded as prepaid expenses-expenditures regardless of the dollar amount.

### M. Inter fund receivables and payables

On the fund financial statements, interfund receivables and payables represent the balance of activity between the different funds of the Town. These activities include but are not limited to transfers which were not physically made but need to be recorded to keep track of the individual fund balances, a portion of the annual tax commitment applicable to certain special revenue and other funds of the Town which are shown as transfers within the annual budget document approved by the inhabitants of the Town and cash receipts which may have been deposited in the cash account of one fund but which are for the use of another fund. The actual receipt of this tax revenue and other revenues is not deposited into the individual funds but rather into the general fund and accounted for as an interfund receivable. Expenditures for one fund paid for out of another fund are also included in these balances. The balance of interfund receivables and interfund payables as shown on the balance sheet must equal. These interfund balances and related activities have been eliminated in the government-wide statement of net position and the statement of activities.

### N. Unearned revenue and Deferred inflows and outflows of resources

In the government-wide financial statements, revenue amounts which have been received in cash but not yet earned are recorded as unearned revenue. The current fiscal year unearned revenue balance of $536,941 on the statement of net position is made up of $426,310 which represent unspent state, federal and other grant program balances which will be used in the upcoming fiscal year, $14,256 which represent unspent state, federal and other grant program balances which are due back to the state and $96,375 which represents tax collections made prior to the end of the current fiscal year relating to the subsequent fiscal year tax commitment. In the fund financial statements, material revenues received prior to the normal time of receipt are recorded as unearned revenue. The current fiscal year unearned revenue balance of $110,631 on the balance sheet represent the above tax collections made prior to the end of the current fiscal year relating to the subsequent fiscal year tax commitment and the amounts due back to the state.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the Town's current fiscal year contributions made subsequent to the measurement date, which are recognized as a reduction of the net pension liability in the subsequent fiscal year. They also may include changes in actuarial assumptions, differences between expected and actual experience, and changes in employer proportional share, which would be deferred and amortized over the average expected remaining service lives of active and inactive members in the pension plan. They may also include the net difference between projected and actual earnings on pension plan investments, which would be deferred and amortized over a five-year period.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental activities have deferred inflows that relate to the net pension liability, which may include changes in actuarial assumptions, differences between expected and actual experience, and changes in employer proportional share, which would be deferred and amortized over the average expected remaining service lives of active and inactive members in the pension plan. They may also include the net difference between projected and actual earnings on pension plan investments, which would be deferred and amortized over a five-year period. The governmental funds currently have one type of item that qualifies for reporting in this category, unavailable revenue from property taxes which is calculated when considering the amount of property taxes receivable not expected to be received within the first 60 days after the fiscal year end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The current fiscal year deferred inflow of resources balance relating to these property taxes receivable is $109,133.

### O. Accounts payable and other liabilities

The accounts payable balance of the town is used to account for the expenses or expenditures related to goods and services received during the current fiscal year for which the related invoices have not yet been paid as of the end of the current fiscal year. Under both the accrual and modified accrual basis of accounting expenses and expenditures are recorded when they are incurred. The other liabilities balance of $792 as shown on both the government-wide and fund financial statements is made up of the balance of the tax receipts clearing account in the amount of $591 and other miscellaneous items in the amount of $201.

### P. Accrued payroll

On the government-wide and the fund financial statements, the accrued payroll balance is made up of amounts related to amounts earned through hours worked prior to the end of the fiscal year which were not physically paid until after the end of the fiscal year.

### Q. Long-term obligations and related costs

Long-term debt and other long-term obligations are reported as liabilities on the governmental-wide statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. The unamortized portion is presented in the government-wide Statement of Net Position as a component of bonds payable. Bond issuance costs are reported as expenses when incurred. The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### R. Encumbrance accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end. The Town of Andover does utilize encumbrance accounting. The assigned portion of fund balance at June 30, 2015 relating to encumbrances was $14,600 for the general fund. The balance relating to the Board of Education was $14,600 and the balance for the town general fund was $0 as of the end of the fiscal year.

### S. Major funds - Fund financial statements only

The focus of the governmental funds of the Town is on the major funds. The general fund of the Town must always be shown as a major fund. In addition, other governmental funds are shown as major based on the following criteria. In addition, the capital reserve special revenue fund as described in item d is the only individual governmental fund which has been classified as major.

a. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 10% of the corresponding totals for all funds of the governmental or enterprise (if present) fund type and
b. The total assets, liabilities, revenues, and expenditures of an individual governmental or enterprise (if present) fund are at least 5% of the corresponding totals for all governmental and enterprise (if present) funds combined.
c. Any other individual governmental or enterprise (if present) fund that the Town believes is particularly important to the financial statement users whether because of public interest, consistency, or other reasons.

For the purposes of the current fiscal year fund financial statements, the following individual governmental funds have been classified as major. A brief description of the fund and the activities reported within the fund is as follows.

d. Capital reserves capital projects fund - Capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, such as the acquisition or construction of capital facilities and other capital assets and capital purchases. The individual specified purposes within this fund relate to the accumulation of funds for certain larger then normal purchases which the Town anticipates for the future. Revenue sources of these funds are approved budget transfers, certain charges for services and interest income.

**T. Fund balance classification policies and procedures - fund financial statements only**

The fund balance amounts of the governmental funds of the Town on the balance sheet are broken down between nonspendable, restricted, committed, assigned and unassigned. These fund balance classifications are described as follows:

a. Nonspendable fund balance - Nonspendable fund balance include amounts that cannot be spent because they are either (a) not in a spendable form such as inventories or prepaid expenditures or (b) they are legally or contractually required to be maintained intact such as the principal portion of a permanent fund. The nonspendable funds balance amounts as reported by the Town consist solely of the principal portion of its permanent funds and a corresponding amount for the recorded amount of inventory and prepaid expenditures when applicable.

b. Restricted fund balances - Restricted fund balance include amounts that are restricted to a specific purpose when the restraints are placed on the use of the resources either by (a) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources from external sources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted fund balance amounts of the Town consist of the residual fund balance amounts at the end of the fiscal year as they relate to grants received from either State, Federal or local funding sources or donations received to be spent for specific purposes. These amounts are restricted to be expended on the items outlined within the funding agreement with the Town and cannot be used for any other specified purposes. In addition, the Town has created a special revenue fund to account for and report the proceeds of funds collected by the town clerks office as mandated by the State of Connecticut in relation to historic document preservation fees and mortgage filing related fees. These mandated fees are considered a form of enabling legislation imposed by the State and therefore the funds collected by the Town are restricted to be expended based on the parameters of the enabling legislation. Other funds restricted by the Town include the non-principal portion of permanent funds as well as education and town grants and program related balances.

c. Committed fund balance - Committed fund balance include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Finance is considered to be the highest level of decision making authority within the Town for determining committed fund balance amounts. The Board of Finance has the final approval for the budget amounts which are presented to the citizens of the Town for approval and in turn the establishment of the related special revenue or capital project funds. The approval of the annual town budget may include amounts characterized as specific revenue sources as a portion of either the annual tax commitment or other specific revenue sources contained and voted on within the annual budget. An example of a committed fund balance amount would relate to an approved transfer to an established special revenue or capital project fund. The residual fund balance amount within these funds at the end of the fiscal year would be classified as committed fund balance. Any subsequent change in the specific purpose or use of these committed funds would need to be approved either at the annual town meeting or a special town meeting.

d. Assigned fund balance - Assigned fund balance include amounts that are constrained by the Town with the intent to be used for specific purposes, but which are neither restricted or committed. The intent to use funds for specific purposes is to be assigned by either town meeting appropriations, the Board of Selectmen, the Board of Finance or the First Selectman individually as authorized by the Board of Finance. The First Selectman has the authority to accept funds on behalf of the Town which are specific revenue sources to be used for specific purposes and to establish special revenue or capital project funds to account and report these amounts. Assigned special revenue and capital project funds are usually made up of small streams of specific revenue sources for specific purposes for which there is a perceived benefit to segregating and reporting the funds rather then including them within the general fund. In addition, annual budgetary encumbrances outstanding at the end of the fiscal year are classified by the Town as assigned amounts within the general or specific special revenue or capital project funds. Subsequent fiscal year budgeted appropriations of the unassigned general fund balance are also reported as assigned fund balance amounts of the general fund at the end of the current fiscal year. The Town also internally assigns an amount to be set aside for future unforseen financial emergencies within the Town.

e. Unassigned fund balance - Unassigned fund balance is the residual classification for the general fund of the Town. This classification represents fund balance amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the general fund. In addition, individual governmental funds whose ending fund balance is negative are also classified as unassigned within the specific fund.

The Town does not have an established policy relating to the use of unrestricted fund balance amounts as it relates to when it considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of these three unrestricted classifications could be used. Absent of an established policy which addresses this situation, accounting guidance states that it should consider that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. In addition, restricted fund balance amounts are considered to have been spent prior to unrestricted amounts under the same circumstances. The following table is designed to provide more detailed information regarding the aggregated fund balance classifications which are included on the balance sheet. Additional information on individual fund balance classifications can be found in the individual combining fund schedules starting on page 46.

| | General fund | Town capital reserves fund | Non-major governmental funds | Total governmental funds |
|---|---|---|---|---|
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | $ 10,114 | $ - | $ - | $ 10,114 |
| Permanent fund principal | - | - | 58,795 | 58,795 |
| | 10,114 | - | 58,795 | 68,909 |
| Restricted: | | | | |
| Town aid roads grant | - | - | 257,169 | 257,169 |
| Bridge and road grants | - | - | 159,680 | 159,680 |
| Educational grants and programs | - | - | 10,282 | 10,282 |
| Community investment act | - | - | 27,438 | 27,438 |
| Community services grants | - | - | 916 | 916 |
| Community services contribution funds | - | - | 3,218 | 3,218 |
| Permanent fund non-principal amounts | - | - | 28,092 | 28,092 |
| General governmental grants | - | - | 980 | 980 |
| General governmental contribution funds | - | - | 59 | 59 |
| | - | - | 487,834 | 487,834 |
| Committed: | | | | |
| Public safety reserve fund | - | 44,039 | - | 44,039 |
| Education reserve fund | - | 159,378 | - | 159,378 |
| Building, planning and zoning reserve fund | - | 12,500 | - | 12,500 |
| Community services reserve fund | - | 176,019 | - | 176,019 |
| Community services programs | - | - | 37,572 | 37,572 |
| Fire commission | - | - | 520 | 520 |
| Planning for open space | - | - | 139,559 | 139,559 |
| Other general governmental reserve funds | - | 186,842 | 147,424 | 334,266 |
| | - | 578,778 | 325,075 | 903,853 |
| Assigned: | | | | |
| Recreation | - | - | 3,125 | 3,125 |
| Education | - | - | 10,572 | 10,572 |
| Other general governmental purposes | - | - | 6,613 | 6,613 |
| Current fiscal year encumbrances | 14,600 | - | - | 14,600 |
| Unassigned fund balance approved to be utilized during the upcoming fiscal year | 45,000 | - | - | 45,000 |
| | 59,600 | - | 20,310 | 79,910 |
| Unassigned | | | | |
| General fund | 2,663,238 | - | - | 2,663,238 |
| Capital projects fund | - | - | -11,250 | -11,250 |
| School education grants fund | - | - | -283 | -283 |
| | 2,663,238 | - | -11,533 | 2,651,705 |
| Total fund balances | $ 2,732,952 | $ 578,778 | $ 880,481 | $ 4,192,211 |

## U. Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting (except in relation to teacher on-behalf payments made by the State which are not budgeted for and encumbrances) which is consistent with generally accepted accounting principles. In addition, the budget calls for certain amounts to be transferred or allocated to specific funds which have been set up by the Town for specific purposes. A portion of the budgeted revenues to be raised by the annual tax commitment is considered by the Town to be a specific revenue source which is committed to expenditure for these specified purposes. The budget calls for the revenue to be shown within the general fund and a transfer out to be shown to each of these specific funds. In accordance with the true accounting definition of a special revenue fund, specific revenue sources which in this case would be a portion of the annual tax commitment would be required to be shown as revenue of the specific fund. Therefore, on the Statement of revenues, expenditures and changes in fund balances (Statement D) property tax revenues have been shown for these specific special revenue funds with no transfers in or out being shown in either the general fund or the special revenue funds. On the Budget to actual statement for the general fund (Statement E) these amounts have been shown as property tax revenues for the general fund and as transfers out for the general fund in accordance with the approved budget of the Town. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each general function of the Town. Only the Board of Selectmen may approve budget transfers within and between expenditure classes and individual departments in accordance with the town charter and the applicable State statutes. The bottom line budgeted revenue and expenditure amounts can only change upon approval of the inhabitants of the Town through a special town meeting. The procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

a. Early in the second half of the last fiscal year the Town's selectmen, departments, boards and commissions submitted budget requests for the year beginning July 1. The operating budgets include proposed expenditures and the means of financing them.
b. Hearings are then held for the submitted budget requests by functions: (1) Selectmen's budget, (2) departments, (3) boards and commissions, (4) capital and nonrecurring requests and (5) Board of Education.
c. A meeting of the inhabitants of the Town is then called for the purpose of adopting the proposed budget after public notice of the meeting had been given. The current fiscal year budget was adopted by the inhabitants of the Town on May 20, 2014.

| | Revenues | Expenditures | Other financing sources (uses) | Net change in fund balance |
|---|---|---|---|---|
| Statement D - GAAP basis | $ 11,041,322 | $ -10,654,609 | $ -76,870 | $ 309,843 |
| Tax commitment for special revenue funds | 163,329 | - | -163,329 | - |
| State on-behalf payments | -533,260 | 533,260 | - | - |
| Current fiscal year encumbrances | - | -14,600 | - | -14,600 |
| Non-cash debt activity | - | 13,580 | -13,580 | - |
| Statement E - Budgetary basis | $ 10,671,391 | $ -10,122,369 | $ -253,779 | $ 295,243 |

### Note 2 - Restricted cash and investments - government-wide financial statements only

The Town breaks down cash and investments between a regular current asset and an other asset restricted on the government-wide statement of net position. The other assets restricted cash and investments amounts are made up of cash and investment balances which are restricted for a specific purpose in subsequent fiscal years. The current year amounts on the government-wide statement of net position can be broken down as follows.

| | |
|---|---|
| Restricted cash: | |
| Unearned state, federal, and other grant program balances | $ 426,310 |
| Non-spendable balance of non-major permanent funds | 58,795 |
| Restricted balance of non-major permanent funds | 5,455 |
| | $ 490,560 |
| Restricted investments: | |
| Restricted balance of non-major permanent funds | $ 22,637 |

## Note 3 - Deposits and investments

### Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is $250,000 per depositor, per insured bank, for each account ownership category. For government accounts the ownership category is per official custodian. At year end, the carrying amount of the Town's deposits was $4,412,836 which is shown in the financial statements as cash balances of $4,334,349 on Statement C and $78,487 on Statement F. The corresponding bank balances of these accounts at various financial institutions totaled $4,432,892 with the difference between the two amounts being represented by timing differences with outstanding checks, deposits in transit and cash on hand. Of these bank balances, $643,665 was covered by FDIC with the remaining $3,789,227 representing balances which were collateralized as described below with securities held by a third party for the benefit of the Town though not in the name of the Town or through the use of a stand-by letter of credit rather then being insured by FDIC.

The Town has entered into a third party custodian agreement for the collateralization of municipal deposits with one financial institution and a stand-by letter of credit with another financial institution. As part of the third party agreement, the financial institution deposits balances into an account set up with a third party custodian institution with the account being to the benefit of the Town in case of failure of the financial institution. As of June 30, 2015, the market value of the securities held as part of this third party custodian agreement were approximately $431,160 with the stand-by letter of credit being in the amount of $5,000,000. These represent that the uninsured cash balances of the Town are fully collateralized with securities or other agreements which are either held for the benefit of the town or are in the name of the Town.

The Town does not have a formal deposit policy for custodial credit risk beyond the requirements of State statutes. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

### Investments

The Town's investments are categorized to give an indication of the level of credit risk (estimated SIPC coverage) of institutional failure (not market risk) assumed by the Town at year-end. The three categories of credit risk are: 1) insured or registered investments or securities held by the Town or its agent in the Town's name, 2) uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the Town's name, and 3) uninsured and unregistered investments with securities held by the counterparty or by its trust department or agent but not in the Town's name. The Town's investments consist of shares of stock donated to the Norton School permanent fund with a fair value of $22,637 as of June 30, 2015. The fair value of this stock is based on the quoted market price as of the end of the fiscal year. This amount would be within the coverage limits of SIPC and therefore would fall into category one investments as described above. The stocks held by the Town are not rated by the applicable credit rating agencies.

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk - The Town does not have a formal investment policy that would further limit its investment choices beyond those limited by Connecticut State statutes. The types of investments authorized to be carried by the Town are in accordance with those authorized by the State of Connecticut. These investments include obligations of the United States Government, obligations fully insured or guaranteed by the government or governmental agency, and repurchase agreements. The Town may vote to accept other types of investments than those authorized by the State in situations where they have been donated to the Town to benefit the Town. Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

## Note 4 - Inter fund receivables, payables, and transfers

**Inter fund receivables and payables** - The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is displayed on the balance sheet as "due to or from other funds" under each fund's caption. The purpose for inter fund balances is to keep track of each fund's position in this cash pool. These balances are not always expected to be repaid due to the fact that they normally represent funds collected or spent by one fund on behalf of another fund. The following information represents inter fund receivables and payables by individual major fund and non-major funds in the aggregate. Only the balances for major funds are being shown below as is required. Separate balances may show up in both the due from and due to column of the general fund. This is because individual funds within each of the below listed fund types may have either a due to or a due from balance. The Town believes it is more beneficial to shown this information separately rather then netted out.

| | Receivable due from | Payable due to |
|---|---|---|
| **General fund:** | | |
| Town capital reserves fund | $ - | $ 55,450 |
| Non-major special revenue funds | 3,461 | 297,846 |
| Non-major capital project funds | 12,300 | 159,680 |
| Non-major permanent funds | 1,228 | - |
| | $ 16,989 | $ 512,976 |
| **Town capital reserves fund:** | | |
| General fund | $ 55,450 | $ - |

**Inter fund transfers** - Transfers in and out represent budgeted transfers which are not always physically made but need to be recorded to keep track of the individual fund balances. There were no transfers made by the Town during the current fiscal year which were significant which have been deemed not to have occurred on a routine basis and which are inconsistent with the activities of the fund (s) making the transfer (s). All of the following transfer out amounts were included in the annual budget approved at town meeting. In addition, the Board of Finance of the town voted to approve the concept of transferring a portion of the remaining unspent elementary education budget to the school improvement capital reserve fund in accordance with State legislature section 10-248a which resulted in a current fiscal year approved transfer from the general fund in the amount of $42,950. The following information represents inter fund transfers by individual major fund and non-major funds in the aggregate. The amounts shown below for general fund transfers out represent balances recorded in accordance with GAAP and shown on Statement E. Budgeted transfers to the non-major special revenue funds in the amount of $163,329 have been shown on Statement D as property tax revenue within the non-major governmental funds column due to the fact that the basis for special revenue funds need to be specific revenue sources of which the Town considers these amounts. The following fund financial statement inter fund transfers are eliminated in the government-wide financial statements

| | Transfers in | Transfers out |
|---|---|---|
| **General fund:** | | |
| Town capital reserves fund | $ - | $ 90,450 |
| Non-major special revenue funds | - | 163,329 |
| Non-major capital project funds | - | - |
| Non-major permanent funds | - | - |
| | $ - | $ 253,779 |
| **Town capital reserves fund:** | | |
| General fund | $ 90,450 | $ - |

## Note 5 - Capital assets - government-wide financial statements only

The following schedule shows the capital asset activity for the fiscal year ended June 30, 2015. Information about the specific accounting policies of the Town in relation to capital assets can be found in item K of note 1 of the notes to the financial statements.

| | Balance 07/01/14 | Additions | Retirements | Balance 06/30/15 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | $ 1,175,732 | $ - | $ - | $ 1,175,732 |
| Construction in progress | 46,477 | 25,632 | - | 72,109 |
| Total at historical value | 1,222,209 | 25,632 | - | 1,247,841 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 9,326,018 | 50,411 | - | 9,376,429 |
| Vehicles | 1,663,427 | 49,350 | - | 1,712,777 |
| Equipment | 378,728 | 69,173 | - | 447,901 |
| Infrastructure | 1,200,105 | 235,330 | - | 1,435,435 |
| Total at historical value | 12,568,278 | 404,264 | - | 12,972,542 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | -5,543,295 | - | -355,034 | -5,898,329 |
| Vehicles | -1,234,710 | - | -84,010 | -1,318,720 |
| Equipment | -282,695 | - | -23,258 | -305,953 |
| Infrastructure | -117,593 | - | -28,839 | -146,432 |
| Total accumulated depreciation | -7,178,293 | - | -491,141 | -7,669,434 |
| Total capital assets being depreciated (net) | 5,389,985 | 404,264 | -491,141 | 5,303,108 |
| Governmental activities capital assets (net) | $ 6,612,194 | $ 429,896 | $ -491,141 | $ 6,550,949 |

Depreciation expense by function or department:

| | |
|---|---|
| General government | $ -27,574 |
| Public works | -41,684 |
| Public safety | -86,942 |
| Sanitation and waste | -1,029 |
| Community services | -13,324 |
| Education | -291,749 |
| General infrastructure depreciation | -28,839 |
| | $ -491,141 |

Capital asset additions by function or department:

| | |
|---|---|
| Capital outlay | $ 342,776 |
| General government | 5,100 |
| Education | 68,440 |
| Non-cash note payable purchase | 13,580 |
| | $ 429,896 |

## Note 6 - Long-term liabilities - government-wide financial statements only

The long-term debt and other liabilities of the Town are made up of the following individual debt agreements and amounts. Long-term debt and other liabilities are shown on the government-wide financial statements as governmental activities items.

| Governmental activities: | Balance 07/01/14 | Additions | Reductions | Balance 06/30/15 | Amount due within one year |
|---|---|---|---|---|---|
| Outstanding payables: | | | | | |
| $1,800,000 bond payable | $ 720,000 | $ - | $ -90,000 | $ 630,000 | $ 90,000 |
| $13,580 note payable | - | 13,580 | -6,790 | 6,790 | 3,395 |
| $153,569 capital lease payable | 120,425 | - | -28,375 | 92,050 | 29,499 |
| Total outstanding payables | 840,425 | 13,580 | -125,165 | 728,840 | 122,894 |
| Other liabilities: | | | | | |
| Accrued comp. balances - school | 76,289 | 8,236 | - | 84,525 | |
| Accrued comp. balances - town | 22,601 | - | -4,242 | 18,359 | |
| Other post-employment benefits | 187,000 | 29,000 | - | 216,000 | |
| Net pension liability | 584,673 | - | -166,623 | 418,050 | |
| Total other liabilities | 870,563 | 37,236 | -170,865 | 736,934 | |
| Total long-term liabilities | $ 1,710,988 | $ 50,816 | $ -296,030 | $ 1,465,774 | $ 122,894 |

### Bond and note payable

The following is a summary of the terms, conditions, and ending balance as of June 30, 2015 of the outstanding long-tem bond and note payable of the Town as well as the outstanding principal and interest requirements for the fiscal years ending June 30:

| | |
|---|---|
| $1,800,000 bond payable issued in February of 2002 to finance school construction. Annual principal installments are $90,000 through October of 2021. Interest at approximately 4.30%. | $ 630,000 |
| $13,580 note payable issued in May of 2013 to finance a portion of the costs for a energy conservation lighting and other items project at the elementary school. This is a non-interest bearing note with monthly principal payments of $283 through June of 2017. | 6,790 |
| | $ 636,790 |

The following is a summary of the total outstanding principal and interest cash flow requirements for the aforementioned bonds and notes payable of the Town for the fiscal years ending June 30:

| | Principal | Interest | Total | | Principal | Interest | Total |
|---|---|---|---|---|---|---|---|
| 2016 | 93,395 | 27,405 | 120,800 | 2020 | $ 90,000 | $ 10,845 | $ 100,845 |
| 2017 | 93,395 | 23,378 | 116,773 | 2021 | 90,000 | 6,547 | 96,547 |
| 2018 | 90,000 | 19,282 | 109,282 | 2022 | 90,000 | 2,194 | 92,194 |
| 2019 | 90,000 | 15,097 | 105,097 | | $ 636,790 | $ 104,748 | $ 741,538 |

### Interest expense

The total interest expense incurred by the Town during the current fiscal year totaled $36,134 which related to the long-term bond payable outstanding in the amount of $31,365 and the Town capital lease payable outstanding in the amount of $4,769. In the fund financial statements and the government-wide financial statements the entire amount of interest expense incurred was charged to interest expense.

### Capital lease payable

The Town has a capital lease related to a lease purchase agreement for a public works truck. This lease purchase agreement runs from November of 2013 through November of 2017 with annual payments of $33,144. The gross amount of the public works truck recorded as a vehicle type capital asset is $153,569. This item is being amortized over a 15 year period and the accumulated amortization (depreciation) taken as of June 30, 2015 was $15,357. The annual payments on this lease for the next three fiscal years are equal to approximately $33,144 per year. The amount of these payments representing interest is equal to approximately $7,382 leaving the net present value of future minimum lease payments equaling $92,050.

### Accrued compensated balances

Non-elected employees of the Town and the Board of Education are allowed to earn paid absences for vacations and/or sick time. The employee's right to be paid for these future vacation and sick time absences are attributable to services already performed and earned vacation and sick time balances do accumulate. Town and library salaried employees accumulated vacation balances are paid when an employee leaves. Therefore, the probability of these benefits being paid can be determined and a liability has been recorded in the accompanying government-wide financial statements on the Statement of net position. School accumulated vacation balances for non-teaching positions do not accumulate and are not paid when an employee leaves. Teaching positions do not earn vacation time. School accumulated sick balances are paid when an employee leaves after 15 years of service in an amount equal to 15% of his or her current salary per diem for his/her accumulated sick days up to a maximum of 180 days. Therefore, the probability of these school accumulated sick benefits being paid for employees exceeding 15 years of service can be determined and a liability has been recorded in the accompanying government-wide financial statements on the statement of net position. Town accumulated sick balances are only paid to individuals who retire after 10 years of service and at an amount of 25% of their accumulated sick leave balance. The probability of town accumulated sick benefits being paid cannot be determined and therefore no liability for these benefits has been recorded. Library employees do not receive any unused sick balances when they leave or retire. As of June 30, 2015, town accumulated sick balances totaled approximately $29,528. A current portion of these recorded liabilities has not been estimated due to the fact that these benefits (accumulated sick and vacation time) may be used by the employees during the course of the fiscal year or they may be paid out upon retirement or termination. An estimate could be made based on prior year activity but the Town believes there are too many variables which could render this estimate useless.

## Note 7 - Other Post Employment Benefits - OPEB

Other post-employment benefit (OPEB) plans are plans that provide post-employment healthcare benefits, either separately or through a defined benefit pension plan. The most common forms of healthcare benefits are medical, dental and vision. Other examples of benefits would include life insurance, disability and long-term care benefits only when they are provided separately from a defined benefit pension plan. The Board of Education and the Town provide a benefit to its employees upon retirement in the form of the ability to be part of the health insurance plan while paying the full amount of the premium charged for active employees and receiving no physical subsidy from the School or the Town. Under this Statement, this type of benefit is referred to as an implicit rate subsidy. An implicit rate subsidy exists in effect when a health insurance premium rate is made up of age adjusted factors covering active and retired employees. The health insurance premiums which would be charged to a group of solely retirees are most likely larger than those which would be charged to a group of solely active employees. When these two groups are merged together, a rate somewhere in the middle is charged to all of the employees, whether active or retired. The difference in the premium costs paid by the employer and what would have been paid if the rates were not blended is considered a non-current cost of the employer. The difference between the premium costs paid by the retiree and what would have been paid if the rates were not blended is considered a benefit to the retiree. Hence, a very simplified description of an implicit rate subsidy.

### Plan description

The Board of Education and the Town maintain a single employer defined benefit OPEB Plan. The Plan provides a benefit to employees based on certain eligibility guidelines. Certified Board of Education employees and their spouses are eligible for medical benefits upon retirement at the earlier of reaching age 55 with at least 20 years of service or upon reaching 25 years of service. Benefits will continue past age 65 for these eligible employees and their spouses who are not covered by Medicare. Both the retiree and their spouse must pay 100% of the cost of the Plan. Town employees and their spouses are eligible for medical benefits upon retirement at the earlier of reaching age 55 with at least 20 years of service or upon reaching 25 years of service. Benefits will not continue past age 65 for these eligible employees and their spouses. Eligible Town employees do not pay any of the cost of the benefits. The spouses of eligible Town employees must pay 100% of the cost of the Plan.

### Funding policy and annual OPEB cost

The provisions of the Plan were established by the Board of Education and the Town along with the respective bargaining units of each group in conjunction with all applicable state statutes. The Board of Education does not contribute directly to this Plan but rather contributes in the form of an implicit rate subsidy. Retirees under this Plan are required to pay the full amount of the health insurance premiums that are applicable to their particular coverage option. The retiree portion is, however, reduced by an amount contributed by the State of State Retirement Board. The current amount contributed by the State for each retiree is $110 per month for a single coverage plan and $220 per month for a dual coverage plan. The State can modify the amount contributed at any time in accordance with applicable State statutes. GASB Statement No. 45 which covers this standard does not mandate that a post-employment benefit liability be pre-funded by an organization it simply mandates that the liability be recorded and that certain related information be disclosed. The Board of Education and the Town currently plan to fund these benefits on a pay-as-you-go basis. As a result, no assets of the Town have been segregated and restricted to fund or provide these post-employment benefits. The annual required contribution (ARC), is an actuarial determined amount, it represents a level amount of funding, which if paid on an ongoing basis, would be projected to cover the normal cost each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

### Funding status

The Town's annual OPEB cost and the net OPEB obligation as it relates to the OPEB Plan of the Board of Education and the Town for the fiscal year ending June 30, 2015 are as follows.

| | | |
|---|---|---|
| Annual required contribution (ARC) | $ | 60,000 |
| Interest on beginning NOO (B) at 4.50% | | 7,000 |
| Adjustment to ARC beginning NOO (B) divided by 17.02 | | -10,000 |
| Annual OPEB Cost | | 57,000 |
| Amount contributed | | -28,000 |
| Increase in Net OPEB Obligation | | 29,000 |
| Net OPEB Obligation as of June 30, 2014 (B) | | 187,000 |
| Net OPEB Obligation as of June 30, 2015 | $ | 216,000 |

### Actuarial methods and assumptions

The projections of benefits associated with the Plan are based on the substantive Plan (this is the plan as it is understood by the employer and the plan members) and include the types of benefits available at the valuation date and the pattern of sharing the cost of these benefits between the Board of Education and the Town and the members of the Plan. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions made in making the applicable actuarial calculations are as follows.

| | |
|---|---|
| Actuarial valuation date | 07/01/13 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level dollar |
| Remaining amortization period | 30 years |
| Actuarial assumptions | |
| Interest | 4.50% |
| Projected salary increases | N/A |
| Healthcare inflation rate | 10.00% for 2011, decreasing 1.00% per year to an ultimate rate of 5.00% for 2015 and beyond |

### Schedule of funding progress

Actuarial valuations involve a number of estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions based on actual results as compared to past expectations and new estimates based on expected future events and conditions. The required schedule of funding progress presented below provides multi-year trend information intended to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Actuarial valuation date | Actuarial value of plan assets (a) | Actuarial accrued liability (AAL) entry age (b) | Unfunded AAL (UAAL) (a - b) | Funded ratio (a / b) | Covered payroll (c) | UAAL as a percentage of covered payroll ((b - a) / c) |
|---|---|---|---|---|---|---|
| 07/01/07 | $ - | $ 503,000 | $ 503,000 | 0.00% | $ 2,833,000 | 17.80% |
| 07/01/10 | $ - | $ 553,000 | $ 553,000 | 0.00% | $ 2,554,000 | 21.70% |
| 07/01/13 | $ - | $ 634,000 | $ 634,000 | 0.00% | $ 2,551,000 | 24.90% |

### Schedule of employer contributions

The following schedule shows the Board of Educations annual OPEB cost, its annual contributions, the percentage of the annual OPEB costs contributed and the Net OPEB Obligation.

| Fiscal year ending | Annual OPEB cost (AOC) | Actual contributions | Percentage of AOC contributed | Net OPEB Obligation (NOO) |
|---|---|---|---|---|
| 06/30/12 | $ 53,000 | $ 17,000 | 32.00% | $ 121,000 |
| 06/30/13 | $ 54,000 | $ 22,000 | 41.00% | $ 153,000 |
| 06/30/14 | $ 55,000 | $ 21,000 | 38.00% | $ 187,000 |
| 06/30/15 | $ 57,000 | $ 28,000 | 49.00% | $ 216,000 |

### Note 8 - On-behalf payments

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and expenditure for Connecticut State Teachers' Retirement Board Contributions made by the State of Connecticut on-behalf of the Andover School Department teachers for the fiscal year ended June 30, 2015. The pension contributions made by the State are determined on an actuarial reserve basis in accordance with 10-183z of the Connecticut General Statutes which reflects public act 79-436 as amended. For the fiscal year ended June 30, 2015, the Andover School Department's total covered payroll was approximately $2,083,046 and the applicable on-behalf payment percentage or appropriation for the period was 25.60%. This amount was not budgeted for in the general fund and results in a difference in reporting on a budgetary basis of accounting versus reporting under GAAP. An intergovernmental revenue in the amount of $533,260 and an education expenditure of $533,260 have been included in the general fund on Statement D (GAAP basis) and have not been reported in the detail of Statement E (budgetary basis) of the fund financial statements. There is no effect on the fund balance at the end of the year. An operating grants and contributions revenue in the amount of $533,260 and an expense in the governmental activities section under a separate education function line item of $533,260 have been included on Statement B of the government-wide financial statements. There is no effect on the net position balance at the end of the year. The above State appropriation percentage of 25.60% compares to 24.79% during the prior fiscal year. The above State on-behalf appropriation of $533,260 compares to $528,540 during the prior fiscal year.

## Note 9 - Defined benefit pension plan

*Connecticut Teachers' Retirement System*

**Plan description** - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

**Benefits provided** - The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. In relation to normal retirement, retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable. In relation to early retirement, employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4%, per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year as retirement precedes normal retirement date. In relation to disability retirement, employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

In relation to minimum benefits, effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of $1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement. In relation to prorated benefits, A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age 60. In relation to pre-retirement death benefits, the plan also offers a lump sum return of contribution with interest or surviving spouse benefit depending on the length of service.

**Contribution requirements** - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. School District employers are not required to make contributions to the plan. Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100%, of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability. For the year ended June 30, 2015, the Town recognized pension revenue and expense of $533,260 as shown in Note 8 for on-behalf amounts for the benefits provided by the State.

| | |
|---|---|
| Town's proportionate share of the net pension liability | $ - |
| State's proportionate share of the net pension liability associated with the Town | 5,643,040 |
| Total | $ 5,643,040 |

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement::

| | |
|---|---|
| Inflation | 3.00% |
| Salary increases | 3.75% to 7.00%, including inflation |
| Investment rate of return | 8.50%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

Future Cost-of-Living increases for members who retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for by Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1%.

**Long-term rate of return** - The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Large cap U.S. equities | 21.0% | 7.3% |
| Developed non U.S. equities | 18.0% | 7.5% |
| Emerging markets (non U.S.) | 9.0% | 8.6% |
| Core fixed income | 7.0% | 1.7% |
| Inflation linked bond fund | 3.0% | 1.3% |
| Emerging markets bond fund | 5.0% | 4.8% |
| High yield bonds | 5.0% | 3.7% |
| Real estate | 7.0% | 5.9% |
| Private equity | 11.0% | 10.9% |
| Alternative investments | 8.0% | 0.7% |
| Liquidity fund | 6.0% | 0.4% |
| Total | 100.0% | |

**Discount rate** - The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. 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 Town's proportionate share of the net pension liabilities to changes in the discount rate** - The Town's proportionate share of the net pension liability is $0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

**Other Information** - Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

**Note 10 - Defined benefit pension plan**

*Connecticut Municipal Employees Retirement System*

**Plan description** - The Connecticut Municipal Employees Retirement System is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes plan benefits, member contribution rates and other plan provisions. The plan is considered to be part of the Sate of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Connecticut Municipal Employees Retirement System. This designation may be the result of collective bargaining. Only employees covered under the State Teachers Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60. The plan is made up of the following four sub plans:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

**Benefits provided** - The plan provides retirement, disability and death benefits. General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. The compulsory retirement age for police and fire members is age 65. In relation to normal retirement, for members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 ½ % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. The maximum benefit is 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, the benefit is computed as if the member is not under social security. In relation to early retirement, employees are eligible after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Benefits are deferred to the normal retirement age, or an actuarially reduced allowance may begin at the time of separation. In relation to disability retirement, employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability. Employees are eligible for non-service-related disability benefits with 1 0 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability. In relation to pre-retirement death benefits, the plan offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

**Contribution requirements** - Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. Employees not covered by social security are required to contribute 5% of their compensation. Employees covered by social security are required to contribute 2 1/4% of their compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** - At June 30, 2015, the Town is reporting a liability of $418,050 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2015, the Town's proportion was .406395 percent. This being the first year of implementation, there was no change in the proportional share as compared to the prior year. The Town's proportionate share of the total net pension liability is as follows:

For the year ended June 30, 2015, the Town recognized pension expense of $75,497. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ - |
| Changes of assumptions | - | - |
| Changes in proportional share of employer | - | - |
| Net difference between projected and actual earnings on Plan investments | - | 133,854 |
| Contributions subsequent to the measurement date | 107,504 | - |
| Total | $ 107,504 | $ 133,854 |

The $107,504 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal year ended June 30: | |
|---|---|
| 2016 | $ 33,464 |
| 2017 | 33,464 |
| 2018 | 33,463 |
| 2019 | 33,463 |
| | $ 133,854 |

**Actuarial assumptions** - The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement::

| | |
|---|---|
| Inflation | 3.25% |
| Salary increases | 4.25% to 11.00%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants with a one-year set forward for males and a one-year set back for females. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010. Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5% and the maximum is 6%.

**Long-term rate of return** - The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Large cap U.S. equities | 16.0% | 5.8% |
| Developed non U.S. equities | 14.0% | 6.6% |
| Emerging markets (non U.S.) | 7.0% | 8.3% |
| Core fixed income | 8.0% | 1.3% |
| Inflation linked bond fund | 5.0% | 1.0% |
| Emerging markets bond fund | 8.0% | 3.7% |
| High yield bonds | 14.0% | 3.9% |
| Real estate | 7.0% | 5.1% |
| Private equity | 10.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Liquidity fund | 3.0% | 0.4% |
| Total | 100.0% | |

**Discount rate** - The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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 Town's proportionate share of the net pension liabilities to changes in the discount rate** - The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

| | 1% Decrease (7.00%) | Current discount rate (8.00%) | 1% Increase (9.00%) |
|---|---|---|---|
| Town's proportionate share of the net pension liability | $ 848,934 | $ 418,050 | $ 53,270 |

**Pension Plan Fiduciary Net Position** - Detailed information about the Connecticut Municipal Employees Retirement System plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014 available at www.ct.gov. The audited amounts as presented in the State of Connecticut Comprehensive Annual Financial Report have been adjusted by the Auditors of Public Accounts to be in accordance with the requirements of GASB Statements No. 67 and 68. The adjustment to contribution receivable increased the net position as previous reported from $2,175,433,000 to $2,262,724,000. The net pension liability at June 30, 2014 has been calculated using the adjusted amounts.

**Other Information** - Additional information is included in the required supplementary information section of the financial statements.

## Note 11 - Net position balances - net investment in capital assets

The net investment in capital assets, net of related debt net position amount on the government-wide statement of net position consisted of the following items as of June 30, 2015. The recorded value of capital assets of $14,220,383 less accumulated depreciation of ($7,669,434) which equals the book value of the capital assets less the related debt of ($728,840) equals a total invested in capital assets net of related debt balance of $5,822,109.

## Note 12 - Deficit fund balances

In accordance with GAAP, all deficit fund balances and their nature must be disclosed. The 14-16 Title I grant has a deficit of ($778) which along with a number of smaller unassigned positive school grants balances of $495 equal the recorded negative unassigned school grants fund balance amount of ($283). In addition, the current fiscal year Locip senior center capital project fund has a deficit of ($11,250) which is also shown as a negative unassigned fund balance amount. These deficit fund balances represent an excess of expenditures over actual revenues, appropriations, and recorded receivables and are expected to be funded through future revenues or transfers.

## Note 13 - Commitments and contingencies - Risk management and other

The Town is at risk of loss due to items such as lawsuits, automobile claims, and theft. The Town has purchased commercial insurance coverage for any of these types of loss which may occur. The Town believes the amounts of coverage in force are adequate and in compliance with all applicable laws, rules, and regulations. The Town has not had any significant reductions in insurance coverage from the prior fiscal year by major category of risk. The amount of settlements have not exceeded insurance coverage during any of the previous three fiscal years. The Town participates in numerous Federal and State grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any monies received as of and through June 30, 2015 may be impaired. In the opinion of the management of the Town, there are no unrecorded significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying basic financial statements for such possible contingencies. In addition, the Town occasionally books unbilled accounts receivable representing earned or recognized grant or contract dollars which have not yet been billed or received. Any subsequent modification or amendments to these grants or contracts could result in a loss to the Town. However, in the opinion of the management of the Town there are no unrecorded significant contingent liabilities in regard to these unbilled accounts receivable. Any material subsequent modifications or amendments would be shown by the Town as a restatement of the prior fiscal year results in which the applicable unbilled receivable had been booked. The Board of Education entered into a bus transportation agreement for the purpose of providing transportation services for the school children of the Town of Andover in compliance with local policies and legal requirements. This agreement runs from July 1, 2014 through June 30, 2019, with the option of a two year extension by mutual agreement. The agreement may be terminated by the Board of Education, without just cause and for any reason after the completion of three years and with six months written notice and a termination fee of $18,100. Payment terms are based on specific daily and hourly rates, however, the base annual contract amounts included in the agreement are $272,853, $279,683, $286,677, $293,847 and $301,192 respectively for regular education two tier routes and $58,560, $60,024, $61,525, $63,065 and $64,943 respectively for 2 special education vans.

## Note 14 - Commitments and contingencies - Operating leases

The Town leases a photocopier under a lease agreement which is classified as an operating lease. For leases to be classified as capital leases, they must meet at least one of the following four criteria: 1)The lease passes title to the lessee by the end of the lease term, 2) the lease contains a bargain purchase option, 3) the lease term is at least 75% of the property's estimated economic life, or 4) the present value of the minimum lease payments is at least 90% of the property's fair value. According to the terms of the lease agreement, the first and second criteria is not met. For criteria three and four, the estimate made is that at the end of the lease term the copiers will be refurbished by the lessor and leased in another capacity and payment amount to another lessee. This lease is for a five year term ending in October of 2019. The monthly payment for this lease is $109. Future minimum payments under this lease will be $1,308, $1,308, $1,308, $1,308 and $436 each fiscal year through June of 2020. The Board of Education also leases two photocopiers under one lease agreement which is classified as an operating lease. This lease is for a sixty-three month term ending in June of 2018. The monthly payment for this lease is $626. Future minimum payments under this lease will be $7,512 each fiscal year through June 30, 2018.

## Note 15 - Commitments and contingencies - Contingent debt

The Town is contingently liable for its proportionate share of any defaulted debt by entities of which it is a member. The town is a member of the Connecticut Regional School District #8. The information supplied to the town for the school district shows outstanding debt of $18,684,374 as of June 30, 2015. The town's estimated percentage of this debt is 14.71% for a total of $2,748,471. Any authorized but yet unissued debt amounts have not been included.

## Note 16 - Prior period adjustment

For the fiscal year ended June 30, 2015, the Town has implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.* As a result of implementing this statement, the Town has recorded a prior period adjustment to the beginning net position balance as shown in the government-wide statement of activities with regard to the applicable pensions provided through the Connecticut Municipal Employees Retirement System. The prior period adjustment is to record the addition of the Town's proportionate share of the net pension liability in the amount of $584,673 and deferred outflows in the amount of $108,266 for the Town's contributions which were made subsequent to the measurement date of the net pension liability. These two adjustments resulted in a net decrease in the beginning net position balance in the amount of $476,407. This prior period adjustment did not affect the fund financial statements of the town.

## Note 17 - Subsequent events

The Town has evaluated subsequent events through April 19, 2016, the date to which the financial statements were available to be issued. There were no recognized subsequent events that would require adjustments to the financial statements and there were no non-recognized subsequent events that would require disclosure in the notes to the financial statements.

## Note 18 - Recently issued accounting standards

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of GASB Statement No. 68. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. It is not expected for this statement to have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*. This statement establishes new accounting and financial reporting requirements for OPEB plans included in the general purpose external financial reports of state and local governmental OPEB plans and replaces the requirements of GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017.

**Town of Andover, Connecticut**
Schedule of Town's proportionate share of the net pension liability
Connecticut Teachers' Retirement System
Last ten fiscal years (for the only years available)

| | 2015 |
|---|---|
| Town's proportion of the net pension liability | 0.055643% |
| Town's proportionate share of the net pension liability | $ - |
| State's proportionate share of the net pension liability associated with the Town | 5,643,040 |
| Total | $ 5,643,040 |
| Town's covered-employee payroll | $ 2,083,046 |
| Town's proportion share of the net pension liability as a percentage of its covered-employee payroll | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.51% |

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of pay, closed |
| Single equivalent amortization period | 22.4 years |
| Asset valuation method | 4-year smoothed market |
| Investment rate of return | 8.5% net of pension plan investment expense, including inflation |
| Salary increases | 3.75% - 7.00%, including inflation |
| Inflation | 3.00% |

**Town of Andover, Connecticut**
Schedule of Town's proportionate share of the net pension liability
Connecticut Municipal Employees Retirement System
Last ten fiscal years (for the only years available)

| | 2015 |
|---|---|
| Town's proportion of the net pension liability | 0.406395% |
| Town's proportionate share of the net pension liability | $ 418,050 |
| Town's covered-employee payroll | $ 901,816 |
| Town's proportion share of the net pension liability as a percentage of its covered-employee payroll | 46.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.48% |

**Notes to schedule:**

Changes in benefit terms and assumptions:

There were no changes in benefit terms. In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Methods and assumptions used in calculations of actuarial determined contributions:

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 25 years |
| Asset valuation method | 5-year smoothed market |
| Investment rate of return | 8.00% net of pension plan investment expense, including inflation |
| Salary increases | 4.25% - 11.00%, including inflation |
| Inflation | 3.25% |

**Town of Andover, Connecticut**
Schedule of Town contributions
Connecticut Municipal Employees Retirement System
Last ten fiscal years (for the only years available)

| | 2015 |
|---|---|
| Contractually required contribution | $ 108,266 |
| Contributions in relation to the contractually required contribution | -108,266 |
| Contribution deficiency (excess) | $ - |
| Town's covered-employee payroll | $ 901,816 |
| Contributions as a percentage of covered-employee payroll | 12.00% |

Schedule A

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major governmental funds
As of and for the year ended June 30, 2015

| | Non-major special funds | Non-major capital project funds | Non-major permanent funds | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 369,964 | $ 8,429 | $ 65,412 | $ 443,805 |
| Investments | - | - | 22,637 | 22,637 |
| Accounts and other receivables | 509 | 1,050 | 66 | 1,625 |
| Prepaid expense | - | - | - | - |
| Due from other funds | 298,228 | 159,680 | - | 457,908 |
| Total assets | 668,701 | 169,159 | 88,115 | 925,975 |
| **Liabilities** | | | | |
| Accounts payable | 5,480 | - | - | 5,480 |
| Other liabilities | 22,643 | - | - | 22,643 |
| Due to other funds | 3,843 | 12,300 | 1,228 | 17,371 |
| Total liabilities | 31,966 | 12,300 | 1,228 | 45,494 |
| **Fund balance** | | | | |
| Nonspendable | - | - | 58,795 | 58,795 |
| Restricted | 300,062 | 159,680 | 28,092 | 487,834 |
| Committed | 325,075 | - | - | 325,075 |
| Assigned | 11,881 | 8,429 | - | 20,310 |
| Unassigned | -283 | -11,250 | - | -11,533 |
| Total fund balance | 636,735 | 156,859 | 86,887 | 880,481 |
| Total liabilities and fund balance | $ 668,701 | $ 169,159 | $ 88,115 | $ 925,975 |
| **Revenues** | | | | |
| Property tax revenues | $ 163,329 | $ - | $ - | $ 163,329 |
| Intergovernmental revenues | 486,188 | 25,728 | - | 511,916 |
| Interest and dividends | 748 | 21 | 2,622 | 3,391 |
| Charges for services | 56,373 | - | - | 56,373 |
| Miscellaneous | 18,685 | - | 2,177 | 20,862 |
| Total revenues | 725,323 | 25,749 | 4,799 | 755,871 |
| **Expenditures** | | | | |
| Salary and wages | 150,728 | - | - | 150,728 |
| Program operating costs | 405,163 | - | 1,632 | 406,795 |
| Capital expenditures | 165,330 | 36,882 | - | 202,212 |
| Total expenditures | 721,221 | 36,882 | 1,632 | 759,735 |
| Excess (deficiency) of revenues over (under) expenditures | 4,102 | -11,133 | 3,167 | -3,864 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | 4,102 | -11,133 | 3,167 | -3,864 |
| **Fund balance - July 1** | 632,633 | 167,992 | 83,720 | 884,345 |
| **Fund balance - June 30** | $ 636,735 | $ 156,859 | $ 86,887 | $ 880,481 |

Schedule B

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2015

| | Andover public library | Andover fire commission | Open space fund | Severance pay fund | Historic preservation fund |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 36,086 | $ 3,940 | $ 139,559 | $ 153,463 | $ 989 |
| Investments | - | - | - | - | - |
| Accounts and other receivables | - | - | - | - | - |
| Prepaid expense | - | - | - | - | - |
| Due from other funds | 2,344 | - | - | - | - |
| Total assets | 38,430 | 3,940 | 139,559 | 153,463 | 989 |
| **Liabilities** | | | | | |
| Accounts payable | 858 | 2,523 | - | - | - |
| Other liabilities | - | - | - | 3,725 | - |
| Due to other funds | - | 897 | - | 2,314 | 609 |
| Total liabilities | 858 | 3,420 | - | 6,039 | 609 |
| **Fund balance** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | 380 |
| Committed | 37,572 | 520 | 139,559 | 147,424 | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balance | 37,572 | 520 | 139,559 | 147,424 | 380 |
| Total liabilities and fund balance | $ 38,430 | $ 3,940 | $ 139,559 | $ 153,463 | $ 989 |
| **Revenues** | | | | | |
| Property tax revenues | $ 26,239 | $ 122,090 | $ - | $ 15,000 | $ - |
| Intergovernmental revenues | 1,282 | 1,740 | - | - | 5,000 |
| Interest and dividends | 17 | 4 | 351 | 364 | 4 |
| Charges for services | - | - | - | - | 1,364 |
| Miscellaneous | 3,674 | - | - | - | - |
| Total revenues | 31,212 | 123,834 | 351 | 15,364 | 6,368 |
| **Expenditures** | | | | | |
| Salary and wages | - | - | - | 6,039 | - |
| Program operating costs | 30,568 | 123,254 | - | - | 7,529 |
| Capital expenditures | - | - | - | - | - |
| Total expenditures | 30,568 | 123,254 | - | 6,039 | 7,529 |
| Excess (deficiency) of revenues over (under) expenditures | 644 | 580 | 351 | 9,325 | -1,161 |
| Other financing sources (uses) | | | | | |
| Transfers in | 1,092 | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | 1,092 | - | - | - | - |
| Net change in fund balance | 1,736 | 580 | 351 | 9,325 | -1,161 |
| **Fund balance - July 1** | 35,836 | -60 | 139,208 | 138,099 | 1,541 |
| **Fund balance - June 30** | $ 37,572 | $ 520 | $ 139,559 | $ 147,424 | $ 380 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2015

| | Community investment fund | Town aid roads grant | Hartford foundation grant | Energy assurance grant | Senior services grant |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ - | $ - | $ 491 | $ - | $ - |
| Investments | - | - | - | - | - |
| Accounts and other receivables | - | - | - | - | - |
| Prepaid expense | - | - | - | - | - |
| Due from other funds | 27,438 | 257,169 | - | 600 | 425 |
| Total assets | 27,438 | 257,169 | 491 | 600 | 425 |
| **Liabilities** | | | | | |
| Accounts payable | - | - | - | - | - |
| Other liabilities | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| **Fund balance** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 27,438 | 257,169 | 491 | 600 | 425 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balance | 27,438 | 257,169 | 491 | 600 | 425 |
| Total liabilities and fund balance | $ 27,438 | $ 257,169 | $ 491 | $ 600 | $ 425 |
| **Revenues** | | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | 190,165 | - | - | - |
| Interest and dividends | - | - | 4 | - | - |
| Charges for services | 4,846 | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 4,846 | 190,165 | 4 | - | - |
| **Expenditures** | | | | | |
| Salary and wages | - | - | - | - | - |
| Program operating costs | - | 38,252 | 1,150 | - | - |
| Capital expenditures | - | 165,330 | - | - | - |
| Total expenditures | - | 203,582 | 1,150 | - | - |
| Excess (deficiency) of revenues over (under) expenditures | 4,846 | -13,417 | -1,146 | - | - |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | -1,092 | - | - |
| Total other financing sources (uses) | - | - | -1,092 | - | - |
| Net change in fund balance | 4,846 | -13,417 | -2,238 | - | - |
| **Fund balance - July 1** | 22,592 | 270,586 | 2,729 | 600 | 425 |
| **Fund balance - June 30** | $ 27,438 | $ 257,169 | $ 491 | $ 600 | $ 425 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2015

| | Senior activities fund | Social services fund | Recreation scholarship fund | Veterans monument fund | Misc donations fund |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ - | $ - | $ - | $ - | $ - |
| Investments | - | - | - | - | - |
| Accounts and other receivables | - | - | - | - | 509 |
| Prepaid expense | - | - | - | - | - |
| Due from other funds | 1,480 | 1,189 | 549 | 59 | 1,913 |
| Total assets | 1,480 | 1,189 | 549 | 59 | 2,422 |
| **Liabilities** | | | | | |
| Accounts payable | - | - | - | - | - |
| Other liabilities | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | - | - | - | - | - |
| **Fund balance** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 1,480 | 1,189 | 549 | 59 | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | 2,422 |
| Unassigned | - | - | - | - | - |
| Total fund balance | 1,480 | 1,189 | 549 | 59 | 2,422 |
| Total liabilities and fund balance | $ 1,480 | $ 1,189 | $ 549 | $ 59 | $ 2,422 |
| **Revenues** | | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - | - | - |
| Interest and dividends | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Miscellaneous | 7,348 | 265 | 549 | - | 4,342 |
| Total revenues | 7,348 | 265 | 549 | - | 4,342 |
| **Expenditures** | | | | | |
| Salary and wages | - | - | - | - | - |
| Program operating costs | 6,852 | 1,499 | - | - | 4,539 |
| Capital expenditures | - | - | - | - | - |
| Total expenditures | 6,852 | 1,499 | - | - | 4,539 |
| Excess (deficiency) of revenues over (under) expenditures | 496 | -1,234 | 549 | - | -197 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | 496 | -1,234 | 549 | - | -197 |
| **Fund balance - July 1** | 984 | 2,423 | - | 59 | 2,619 |
| **Fund balance - June 30** | $ 1,480 | $ 1,189 | $ 549 | $ 59 | $ 2,422 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2015

| | Dog fund | Farmers market | Andover youth basketball | Town conservation account | School lunch program |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ - | $ - | $ 3,125 | $ 705 | $ 3,110 |
| Investments | - | - | - | - | - |
| Accounts and other receivables | - | - | - | - | - |
| Prepaid expense | - | - | - | - | - |
| Due from other funds | 3,024 | 2,038 | - | - | - |
| Total assets | 3,024 | 2,038 | 3,125 | 705 | 3,110 |
| **Liabilities** | | | | | |
| Accounts payable | 1,553 | - | - | - | - |
| Other liabilities | - | - | - | - | 967 |
| Due to other funds | - | - | - | 23 | - |
| Total liabilities | 1,553 | - | - | 23 | 967 |
| **Fund balance** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | 1,471 | 2,038 | 3,125 | 682 | 2,143 |
| Unassigned | - | - | - | - | - |
| Total fund balance | 1,471 | 2,038 | 3,125 | 682 | 2,143 |
| Total liabilities and fund balance | $ 3,024 | $ 2,038 | $ 3,125 | $ 705 | $ 3,110 |
| **Revenues** | | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - | - | - |
| Interest and dividends | - | - | - | 2 | - |
| Charges for services | 885 | 4,745 | 10,040 | - | 34,493 |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 885 | 4,745 | 10,040 | 2 | 34,493 |
| **Expenditures** | | | | | |
| Salary and wages | - | - | - | - | 35,135 |
| Program operating costs | 524 | 3,800 | 8,234 | 23 | - |
| Capital expenditures | - | - | - | - | - |
| Total expenditures | 524 | 3,800 | 8,234 | 23 | 35,135 |
| Excess (deficiency) of revenues over (under) expenditures | 361 | 945 | 1,806 | -21 | -642 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | 361 | 945 | 1,806 | -21 | -642 |
| **Fund balance - July 1** | 1,110 | 1,093 | 1,319 | 703 | 2,785 |
| **Fund balance - June 30** | $ 1,471 | $ 2,038 | $ 3,125 | $ 682 | $ 2,143 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major special revenue funds
As of and for the year ended June 30, 2015

| | Arthur Duprey fund | Arthur Duprey fund | Special ed excess costs grant | School program grants | Totals |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | $ 374 | $ 1,963 | $ - | $ 26,159 | $ 369,964 |
| Investments | - | - | - | - | - |
| Accounts and other receivables | - | - | - | - | 509 |
| Prepaid expense | - | - | - | - | - |
| Due from other funds | - | - | - | - | 298,228 |
| Total assets | 374 | 1,963 | - | 26,159 | 668,701 |
| **Liabilities** | | | | | |
| Accounts payable | - | - | - | 546 | 5,480 |
| Other liabilities | - | - | - | 17,951 | 22,643 |
| Due to other funds | - | - | - | - | 3,843 |
| Total liabilities | - | - | - | 18,497 | 31,966 |
| **Fund balance** | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | 374 | 1,963 | - | 7,945 | 300,062 |
| Committed | - | - | - | - | 325,075 |
| Assigned | - | - | - | - | 11,881 |
| Unassigned | - | - | - | -283 | -283 |
| Total fund balance | 374 | 1,963 | - | 7,662 | 636,735 |
| Total liabilities and fund balance | $ 374 | $ 1,963 | $ - | $ 26,159 | $ 668,701 |
| **Revenues** | | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - | $ 163,329 |
| Intergovernmental revenues | - | - | 31,891 | 256,110 | 486,188 |
| Interest and dividends | - | 2 | - | - | 748 |
| Charges for services | - | - | - | - | 56,373 |
| Miscellaneous | - | 1,000 | - | 1,507 | 18,685 |
| Total revenues | - | 1,002 | 31,891 | 257,617 | 725,323 |
| **Expenditures** | | | | | |
| Salary and wages | - | - | - | 109,554 | 150,728 |
| Program operating costs | - | 200 | 31,891 | 146,848 | 405,163 |
| Capital expenditures | - | - | - | - | 165,330 |
| Total expenditures | - | 200 | 31,891 | 256,402 | 721,221 |
| Excess (deficiency) of revenues over (under) expenditures | - | 802 | - | 1,215 | 4,102 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | - | 802 | - | 1,215 | 4,102 |
| **Fund balance - July 1** | 374 | 1,161 | - | 6,447 | 632,633 |
| **Fund balance - June 30** | $ 374 | $ 1,963 | $ - | $ 7,662 | $ 636,735 |

Schedule C

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues,
expenditures and changes in fund balances - Non-major capital project funds
As of and for the year ended June 30, 2015

| | Pedestrian bridge project | AES expansion project | Times farm road bridge project | STEAP ballfield project | Locip senior center project | Totals |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash | $ - | $ 8,429 | $ - | $ - | $ - | $ 8,429 |
| Investments | - | - | - | - | - | - |
| Accounts and other receivables | - | - | - | 1,050 | - | 1,050 |
| Prepaid expenses | - | - | - | - | - | - |
| Due from other funds | 5,820 | - | 153,860 | - | - | 159,680 |
| Total assets | 5,820 | 8,429 | 153,860 | 1,050 | - | 169,159 |
| **Liabilities** | | | | | | |
| Accounts payable | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - |
| Due to other funds | - | - | - | 1,050 | 11,250 | 12,300 |
| Total liabilities | - | - | - | 1,050 | 11,250 | 12,300 |
| **Fund balance** | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 5,820 | - | 153,860 | - | - | 159,680 |
| Committed | - | - | - | - | - | - |
| Assigned | - | 8,429 | - | - | - | 8,429 |
| Unassigned | - | - | - | - | -11,250 | -11,250 |
| Total fund balance | 5,820 | 8,429 | 153,860 | - | -11,250 | 156,859 |
| Total liabilities and fund balance | $ 5,820 | $ 8,429 | $ 153,860 | $ 1,050 | $ - | $ 169,159 |
| **Revenues** | | | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | 7,161 | 18,567 | - | 25,728 |
| Interest and dividends | - | 21 | - | - | - | 21 |
| Charges for services | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total revenues | - | 21 | 7,161 | 18,567 | - | 25,749 |
| **Expenditures** | | | | | | |
| Salary and wages | - | - | - | - | - | - |
| Program operating costs | - | - | - | - | - | - |
| Capital expenditures | - | - | 7,065 | 18,567 | 11,250 | 36,882 |
| Total expenditures | - | - | 7,065 | 18,567 | 11,250 | 36,882 |
| Excess (deficiency) of revenues over (under) expenditures | - | 21 | 96 | - | -11,250 | -11,133 |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - |
| Net change in fund balance | - | 21 | 96 | - | -11,250 | -11,133 |
| **Fund balance - July 1** | 5,820 | 8,408 | 153,764 | - | - | 167,992 |
| **Fund balance - June 30** | $ 5,820 | $ 8,429 | $ 153,860 | $ - | $ -11,250 | $ 156,859 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2015

| | Norton children's fund | Norton library fund | Norton school fund |
|---|---|---|---|
| **Assets** | | | |
| Cash | $ 13,289 | $ 3,558 | $ 8,879 |
| Investments | - | - | 22,637 |
| Accounts and other receivables | - | - | 66 |
| Prepaid expense | - | - | - |
| Due from other funds | - | - | - |
| Total assets | 13,289 | 3,558 | 31,582 |
| **Liabilities** | | | |
| Accounts payable | - | - | - |
| Other liabilities | - | - | - |
| Due to other funds | 1,228 | - | - |
| Total liabilities | 1,228 | - | - |
| **Fund balance** | | | |
| Nonspendable | 8,795 | 3,000 | 8,000 |
| Restricted | 3,266 | 558 | 23,582 |
| Committed | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Total fund balance | 12,061 | 3,558 | 31,582 |
| Total liabilities and fund balance | $ 13,289 | $ 3,558 | $ 31,582 |
| **Revenues** | | | |
| Property tax revenues | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - |
| Interest and dividends | 32 | 8 | 2,483 |
| Charges for services | - | - | - |
| Miscellaneous | 2,177 | - | - |
| Total revenues | 2,209 | 8 | 2,483 |
| **Expenditures** | | | |
| Salary and wages | - | - | - |
| Program operating costs | 1,632 | - | - |
| Capital expenditures | - | - | - |
| Total expenditures | 1,632 | - | - |
| Excess (deficiency) of revenues over (under) expenditures | 577 | 8 | 2,483 |
| Other financing sources (uses) | | | |
| Transfers in | - | - | - |
| Transfers out | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balance | 577 | 8 | 2,483 |
| **Fund balance - July 1** | 11,484 | 3,550 | 29,099 |
| **Fund balance - June 30** | $ 12,061 | $ 3,558 | $ 31,582 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Non-major permanent funds
As of and for the year ended June 30, 2015

| | Sprague library fund | Irene Mooney fund | Brown & Brown fund | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 3,158 | $ 11,407 | $ 25,121 | $ 65,412 |
| Investments | - | - | - | 22,637 |
| Accounts and other receivables | - | - | - | 66 |
| Prepaid expense | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total assets | 3,158 | 11,407 | 25,121 | 88,115 |
| **Liabilities** | | | | |
| Accounts payable | - | - | - | - |
| Other liabilities | - | - | - | - |
| Due to other funds | - | - | - | 1,228 |
| Total liabilities | - | - | - | 1,228 |
| **Fund balance** | | | | |
| Nonspendable | 3,000 | 11,000 | 25,000 | 58,795 |
| Restricted | 158 | 407 | 121 | 28,092 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balance | 3,158 | 11,407 | 25,121 | 86,887 |
| Total liabilities and fund balance | $ 3,158 | $ 11,407 | $ 25,121 | $ 88,115 |
| **Revenues** | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - | - |
| Interest and dividends | 8 | 28 | 63 | 2,622 |
| Charges for services | - | - | - | - |
| Miscellaneous | - | - | - | 2,177 |
| Total revenues | 8 | 28 | 63 | 4,799 |
| **Expenditures** | | | | |
| Salary and wages | - | - | - | - |
| Program operating costs | - | - | - | 1,632 |
| Capital expenditures | - | - | - | - |
| Total expenditures | - | - | - | 1,632 |
| Excess (deficiency) of revenues over (under) expenditures | 8 | 28 | 63 | 3,167 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | 8 | 28 | 63 | 3,167 |
| **Fund balance - July 1** | 3,150 | 11,379 | 25,058 | 83,720 |
| **Fund balance - June 30** | $ 3,158 | $ 11,407 | $ 25,121 | $ 86,887 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Town capital reserves fund
As of and for the year ended June 30, 2015

| | Non-recurring reserve | Fire engine reserve | School improvement reserve | Equipment reserve |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 103,406 | $ 44,039 | $ 116,428 | $ 19,347 |
| Investments | - | - | - | - |
| Accounts and other receivables | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Due from other funds | - | - | 42,950 | - |
| Total assets | 103,406 | 44,039 | 159,378 | 19,347 |
| **Liabilities** | | | | |
| Accounts payable | - | - | - | - |
| Other liabilities | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | - | - | - | - |
| **Fund balance** | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | 103,406 | 44,039 | 159,378 | 19,347 |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balance | 103,406 | 44,039 | 159,378 | 19,347 |
| Total liabilities and fund balance | $ 103,406 | $ 44,039 | $ 159,378 | $ 19,347 |
| **Revenues** | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - | - |
| Interest and dividends | 263 | 110 | 220 | 48 |
| Charges for services | - | - | 5,088 | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 263 | 110 | 5,308 | 48 |
| **Expenditures** | | | | |
| Salary and wages | - | - | - | - |
| Program operating costs | - | - | - | - |
| Capital expenditures | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | 263 | 110 | 5,308 | 48 |
| Other financing sources (uses) | | | | |
| Transfers in | 10,000 | - | 42,950 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 10,000 | - | 42,950 | - |
| Net change in fund balance | 10,263 | 110 | 48,258 | 48 |
| **Fund balance - July 1** | 93,143 | 43,929 | 111,120 | 19,299 |
| **Fund balance - June 30** | $ 103,406 | $ 44,039 | $ 159,378 | $ 19,347 |

**Town of Andover, Connecticut**
Combining Balance sheet and combining Statement of revenues, expenditures and changes in fund balances - Town capital reserves fund
As of and for the year ended June 30, 2015

| | New Library reserve | Conservation & development reserve | Revaluation reserve | Totals |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | $ 176,019 | $ - | $ 64,089 | $ 523,328 |
| Investments | - | - | - | - |
| Accounts and other receivables | - | - | - | - |
| Prepaid expenses | - | - | - | - |
| Due from other funds | - | 12,500 | - | 55,450 |
| Total assets | 176,019 | 12,500 | 64,089 | 578,778 |
| **Liabilities** | | | | |
| Accounts payable | - | - | - | - |
| Other liabilities | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | - | - | - | - |
| **Fund balance** | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | 176,019 | 12,500 | 64,089 | 578,778 |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balance | 176,019 | 12,500 | 64,089 | 578,778 |
| Total liabilities and fund balance | $ 176,019 | $ 12,500 | $ 64,089 | $ 578,778 |
| **Revenues** | | | | |
| Property tax revenues | $ - | $ - | $ - | $ - |
| Intergovernmental revenues | - | - | - | - |
| Interest and dividends | 439 | - | 77 | 1,157 |
| Charges for services | - | - | - | 5,088 |
| Miscellaneous | - | - | - | - |
| Total revenues | 439 | - | 77 | 6,245 |
| **Expenditures** | | | | |
| Salary and wages | - | - | - | - |
| Program operating costs | - | 12,500 | - | 12,500 |
| Capital expenditures | - | - | - | - |
| Total expenditures | - | 12,500 | - | 12,500 |
| Excess (deficiency) of revenues over (under) expenditures | 439 | -12,500 | 77 | -6,255 |
| Other financing sources (uses) | | | | |
| Transfers in | - | 12,500 | 25,000 | 90,450 |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | 12,500 | 25,000 | 90,450 |
| Net change in fund balance | 439 | - | 25,077 | 84,195 |
| **Fund balance - July 1** | 175,580 | 12,500 | 39,012 | 494,583 |
| **Fund balance - June 30** | $ 176,019 | $ 12,500 | $ 64,089 | $ 578,778 |

**Town of Andover, Connecticut**
Schedule of debt limitation
Connecticut General Statutes, Section 7-374 (b)
For the year ended June 30, 2015

| | |
|---|---|
| Total tax collections (including interest and lien fees) for the current fiscal year. | $ 8,103,671 |
| Total tax collections (including interest and lien fees) of city, borough and all other taxing districts within the Town for the current fiscal year. | - |
| Reimbursement for revenue loss on: Tax relief for the elderly - (CGS 12-129d) | 14,148 |
| Total base | $ 8,117,819 |

| **Debt limitation:** | General purposes | Schools | Sewers | Urban renewal | Pension deficit |
|---|---|---|---|---|---|
| 2 1/4 times base | $ 18,265,093 | $ - | $ - | $ - | $ - |
| 4 1/2 times base | - | 36,530,186 | - | - | - |
| 3 3/4 times base | - | - | 30,441,821 | - | - |
| 3 1/4 times base | - | - | - | 26,382,912 | - |
| 3 times base | - | - | - | - | 24,353,457 |
| Total debt limitation | 18,265,093 | 36,530,186 | 30,441,821 | 26,382,912 | 24,353,457 |
| **Indebtedness:** | | | | | |
| Bonds payable | - | 630,000 | - | - | - |
| Bonds authorized and unissued | - | - | - | - | - |
| Notes payable | - | 6,790 | - | - | - |
| Capital leases payable | 92,050 | - | - | - | - |
| Town portion of Regional School District No. 8 outstanding debt | - | 2,748,471 | - | - | - |
| Accrued compensated absences: | | | | | |
| School employees | - | 84,525 | - | - | - |
| Town employees | 18,359 | - | - | - | - |
| Total indebtedness | 110,409 | 3,469,786 | - | - | - |
| Debt limitation in excess of outstanding and authorized debt | $ 18,154,684 | $ 33,060,400 | $ 30,441,821 | $ 26,382,912 | $ 24,353,457 |

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be $56,824,733 which is well above the $3,580,195 current amount of outstanding and authorized and unissued debt of the Town.

**Town of Andover, Connecticut**
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2015

| Grand list | Uncollected taxes 06/30/14 | Current year taxes levied | Lawful corrections | | Net taxes collectable |
|---|---|---|---|---|---|
| | | | Additions | Deductions | |
| 2013 | $ - | $ 8,057,047 | $ 26,231 | $ -35,483 | $ 8,047,795 |
| 2012 | 106,331 | - | 755 | -2,196 | 104,890 |
| 2011 | 33,347 | - | 407 | -558 | 33,196 |
| 2010 | 9,224 | - | - | - | 9,224 |
| 2009 | 1,172 | - | - | - | 1,172 |
| 2008 | 843 | - | - | - | 843 |
| 2007 | 548 | - | - | - | 548 |
| 2006 | 207 | - | - | - | 207 |
| 2005 | - | - | - | - | - |
| 2004 | - | - | - | - | - |
| 2003 | - | - | - | - | - |
| 2002 | - | - | - | - | - |
| 2001 | - | - | - | - | - |
| 2000 | - | - | - | - | - |
| 1999 | - | - | - | - | - |
| | $ 151,672 | $ 8,057,047 | $ 27,393 | $ -38,237 | $ 8,197,875 |

**Town of Andover, Connecticut**
Schedule of property taxes levied,
collections, and outstanding balances
For the year ended June 30, 2015

| Grand list | Collections during the fiscal year: Taxes | Interest | Lien fees | Total | Adjustments | Uncollected taxes 6/30/15 |
|---|---|---|---|---|---|---|
| 2013 | $ 7,961,780 | $ 22,268 | $ 1,336 | $ 7,985,384 | $ - | $ 86,015 |
| 2012 | 77,192 | 15,259 | 1,544 | 93,995 | - | 27,698 |
| 2011 | 25,167 | 8,163 | 273 | 33,603 | - | 8,029 |
| 2010 | 7,743 | 4,008 | 98 | 11,849 | - | 1,481 |
| 2009 | 579 | 10 | - | 589 | - | 593 |
| 2008 | - | - | - | - | - | 843 |
| 2007 | - | - | - | - | - | 548 |
| 2006 | - | - | - | - | - | 207 |
| 2005 | - | - | - | - | - | - |
| 2004 | - | - | - | - | - | - |
| 2003 | - | - | - | - | - | - |
| 2002 | - | - | - | - | - | - |
| 2001 | - | - | - | - | - | - |
| 2000 | - | - | - | - | - | - |
| 1999 | - | - | - | - | - | - |
| | $ 8,072,461 | $ 49,708 | $ 3,251 | $ 8,125,420 | $ - | $ 125,414 |

A - This schedule is in effect designed to be shown on the cash basis of accounting whereas it shows the amount being received against tax years as revenues when in effect they represent a reduction in the outstanding asset account for each tax year outstanding. As a result, the total collections balance shown above will not tie out to the property tax revenues balance on Statement D, Statement E, or Sub-Schedule B. However, the following is a reconciliation of selected balances from this schedule to the amount shown on Statement D, Statement E, and Sub-Schedule B. In addition, the uncollected taxes balances shown above have been netted against credit balances accounts resulting from overpayments not yet refunded. A breakdown of these two amounts can be found in the posted rate book. Also, the above shown adjustments represent current fiscal year transfers to suspense.

| | |
|---|---|
| $ 8,057,047 | Current year taxes levied from page 58 |
| 49,708 | Tax interest collections during the current fiscal year from above |
| 3,251 | Tax lien fee collections during the current fiscal year from above |
| 1,411 | Suspense collections during the current fiscal year |
| - | Account balances transferred to suspense during the current fiscal year from above |
| -10,844 | The net lawful corrections made during the current fiscal year from page 58 |
| 3,098 | The unearned tax revenue adjustment made as described in item number 2 on page 15 |
| $ 8,103,671 | Property tax revenues per Statement D, Statement E and Sub-Schedule B |

B - Operation of Law - No tax can be collected 15 years after the original due date.

C - Taxes transferred (to) and from suspense. Though tax balances are transferred from active status to suspense status they remain collectible. During the current fiscal year $565 was collected on principal suspense tax balances owed and $756 of interest and $90 of fees was collected on principal suspense tax balances owed. In addition, $106 worth of lawful correction deductions were made to three suspense tax years.

# Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

*214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050*


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*

Board of Finance
Board of Selectmen
Town of Andover, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Andover, Connecticut's basic financial statements, and have issued our report thereon dated April 19, 2016, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Andover, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of an entity determined to be a component unit. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Andover, Connecticut's internal control over financial reporting (internal control) to determine the 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 of Andover, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Andover, Connecticut's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and labeled as item numbers 15-01 and 15-02 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs and labeled as item numbers 15-03 through 15-07 to be significant deficiencies.

### Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Andover, Connecticut's financial statements are free of 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 determination of financial statement amounts. 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 reportable instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

### The Town of Andover, Connecticut's Responses to Findings

The Town of Andover, Connecticut's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of Andover, Connecticut's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 of Andover, Connecticut'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 of Andover, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
April 19, 2016

**15-01 - Account reconciliations**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

For the current fiscal year there did not appear to be an adequate system of internal controls in place to ensure that all of the asset and liability accounts on the trial balance of the Town were reconciled. In addition, it did not appear that there was an adequate system of internal controls in place to review revenue and expenditure accounts to determine if any transactions had been mis-posted and therefore needed to be corrected. Without an adequate system of internal controls in place to ensure that all asset and liability accounts are being reconciled and documenting that all revenue and expenditure accounts are being reviewed, there is no way to ensure that items that need to be corrected will be prevented or even detected and corrected on a timely basis. We do consider this condition to represent a material weakness in internal control over financial reporting.

Context:

It does appear as though monthly bank reconciliations were prepared for the cash accounts of the Town during the current fiscal year. However, it would appear as though the majority of the remaining balance sheet accounts went unreconciled during the current fiscal year. If reconciliations were prepared on these remaining balance sheet accounts, we were unable to find any documentation of the reconciliations and the results of the reconciliations. As a result of the audit, 51 adjusting journal entries were proposed for the Town. Not all of these adjustments were necessarily correcting items that would have been found if reconciliations had been completed but a large number of them should have been found if reconciliations had been completed. In addition, we were unable to find any documentation showing that revenue and expenditure account had been reviewed for mis-postings during the current fiscal year and a number of the aforementioned adjustments were necessary to correct recorded revenue and expenditure account balances on the trial balance of the Town.

Effect:

Without account reconciliations being prepared for all asset and liability accounts as well as periodic documented reviews of the transactions recorded in the revenue and expenditure accounts, it is difficult to have an accurate financial picture of the Town during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the finance department of the Town. This would appear to make it difficult to apportion the time needed to effectively reconcile all of the asset and liability accounts as shown on the trial balance and to perform and document the reviews of the revenue and expenditure accounts.

Recommendation:

We recommend that the Town develop an adequate system of internal controls to ensure that all asset and liability accounts are being reconciled and that an adequate system of internal controls are in place to document the revenue and expenditure account reviews and that these reviews are completed and documented at least on a quarterly basis if not a monthly basis.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree with his recommendations as described above. We believe that the accounting policies and procedures manual which is in the final stages of review will adequately address the completion and documentation of the reconciling of all asset and liability accounts as well as the performance and documentation of the reviews of all revenue and expenditure accounts in a timely manner. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

**15-02 - Inadequate segregation of duties**

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis in addition to ensuring that the assets of the Town are being safeguarded.

Condition:

In reviewing the cash activity of the separate checking accounts of the Andover Fire Commission, the Andover Public Library, the Town Clerk checking account and the Andover Youth Basketball program it appears as though all of the cash processing is performed in each case by one individual with limited or no apparent internal controls in place to govern those processing activities. In reviewing the invoices paid by the Andover Fire Commission we were unable to find any approving signature or initials on the majority of the invoices processed for payment which does not allow an individual outside of the accounting function to determine whether anyone other than the individual writing the checks had reviewed the details of the invoices being paid. In reviewing the invoices paid by the Andover Public Library we were only able to find the approving signature or initials of the individual that processes the invoices and writes the checks which does not allow an individual outside of the accounting function to determine whether anyone other than the individual writing the checks had reviewed the details of the invoices being paid. For the Town Clerk and the Andover Youth Basketball program checking accounts, the individual processing the payments is also the individual writing and signing the checks. These situations create a significant lack of segregation of duties as it relates to the cash balances of the Town. We do consider this condition to represent a material weakness in internal control over financial reporting.

Context:

This lack of segregation of duties is common in small municipalities where only a small number of individuals are employed by the governmental unit and where separate checking accounts are used to account for activities. However, in order to ensure that the cash balances and in turn the assets of the Town are being safeguarded, an adequate set of internal controls should be developed to address the fact that there are limited resources or processes available to the town due to a small number of employees.

Effect and cause:

Without adequate segregation of duties, it is difficult to be confident that an accurate financial picture of the Town is available at all times during the fiscal year. Without an accurate financial picture there can be no reasonable assurance present that the Town's specific objectives are being achieved or that its' assets are being safeguarded. The reason for this condition would appear to be simply a lack of available resources within the Town which is common for relatively small municipalities with relatively small operating and administrative budgets.

Recommendation:

We recommend that a more adequate set of policies and procedures be developed to overcome this inherent lack of segregation of duties. In addition, all invoices paid by the Town and through the cash accounts of the Town should contain either the signature or initials of an approving individual outside of the processing function, invoices should never be processed by the individual writing and signing the related checks and controls should be in place to ensure that any separate checking accounts of the Town are adequately reconciled on a monthly basis and reviewed by an individual outside of the accounting function of the account.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that these situations, as described above, do present a significant lack of segregation of duties as they apply to the four separate cash accounts mentioned above. We agree that all invoices paid through the cash accounts of the Town should contain either the signature or initials of an approving individual outside of the processing function. We also agree with the recommendations of the auditor relating to the processing of invoices by the individual writing and signing the related checks and those relating to the monthly bank reconciliation process. We do plan on reviewing these situations further in order to determine how an adequate segregation of duties can be achieved given the small size of the Town and the inherent limitations on the time and resources available to the individuals responsible for these cash accounts. We believe that an adequate system of internal controls can be developed and implemented that will either eliminate or lessen the potential effects of this lack of segregation of duties.

## 15-03 - Accounting policies and procedures manual

Criteria:

The management of the Town is responsible for implementing and maintaining a system of internal controls for which the design of the system would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition:

The Town and the Board of Education maintain two separate internal control systems which are used to account for the financial activities of the Town as a whole. The Board of Education currently has an accounting policies and procedures manual by which the internal control systems used to account for its financial activities are outlined. The Town, however, does not currently have an accurate and in-depth accounting policies and procedures manual which would document the system of internal controls necessary to allow the prevention or detections of misstatements on a timely basis. Without a documented system of internal control related policies and procedures it cannot be determined that the procedures being followed during the day to day accounting activities are adequate to prevent or detect misstatements on a timely basis. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

This type of manual is used to provide a general description of the general functions and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. The manual is also used to document the specific steps to be used in all accounting functions such as the processing of cash disbursements, the recording and deposit of cash receipts and the steps necessary to process payroll.

Effect:

The two main goals of developing and documenting an effective set of accounting policies and procedures is to provide reasonable assurance that the Town's specific objectives will be achieved and to set up a system of checks and balances which safeguard the assets of the Town. Without this set of policies and procedures there can be no reasonable assurance present that the Town's specific objective are being achieved or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within the accounting department of the Town.

Recommendation:

The Board of Finance should be involved with the development of a written policies and procedures manual that addresses the financial operations of the Town and specific duties of all personnel involved in the accounting, cash receipting, and bill paying system of the Town. This manual, drafted by the accounting department, should address the general accounting functions of the department and the overall financial policies of the Town as well as any other specific area (s) as so requested by the Board of Finance or other members of management of the Town. The final draft should be presented to the Board of Finance for approval. The accounting department would be responsible for implementing the specific policies and procedures. Any questions or disputes in regard to the implementation and operation of these policies and procedures should be presented to the Board of Finance for resolution. In addition, any subsequent amendments, revisions, or additions to this manual should be presented to the Board of Finance for approval.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we do agree that such an accounting policies and procedures manual, as described above, would be beneficial. We have been working on the completion of this type of a manual over the past year and have completed a draft of the manual which is ready for a final review. We hope to have the final review and any necessary adjustments completed and the manual approved by the end of the upcoming fiscal year. Due to the small nature of our town, it is sometimes difficult to allocate the necessary amount of time and resources to a project such as this. However, we feel we have made progress and will continue working towards the completion of this accounting policies and procedures manual.

## 15-04 - Capital assets and inventory record keeping

Criteria:

The Town is required to report capital assets as accurately as possible in its financial statements in accordance with generally accepted accounting principles. As such, annual capital asset additions, deletions and capital asset balances would be reported in the financial statements and disclosed in the notes to the financial statements.

Condition:

The Town does not keep a detailed listing of its' capital assets or other inventory items which may fall below the capitalization threshold of the Town but which may be useful to keep track of for future planning and capital improvement purposes. As such, accurate dollar amounts for annual capital asset additions, deletions and capital asset balances would not be known to the Town during the fiscal year and most likely not until the completion of the annual audit. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context:

The Town has established a capital assets capitalization policy that states it will capitalize all expenses for property, plant, and equipment in excess of $5,000. During the current fiscal year the only items capitalized consisted of items noted during the audit. A complete listing of new capital assets was not presented to be capitalized and no listing of capital assets being disposed of during the fiscal year was presented. At this time, the only way to record current year additions would be to scan the cash disbursements journal for items in excess of this amount and then select the invoices to determine whether they meet the definition of a capital asset and in turn whether or not they should be capitalized. In addition, the aforementioned process is in many cases unable to determine whether any items have or have not been disposed of during the current fiscal year. This procedure does however fall outside the scope of the current audit. In regard to other inventory items not meeting the $5,000 capitalization threshold, the Town should have some system in place to keep track of certain items that may need to be replaced at some future point in time.

Effect:

Without these steps being taken and detailed listings being kept it is difficult for the Town to have an accurate financial picture in relation to their current capital assets and inventory and their potential future needs. As a result, there can be no reasonable assurance present that the Town's specific objectives are being achieved both in the short term and in the long term or that its' assets are being safeguarded.

Cause:

The reason for this condition would appear to be a lack of available time and available resources within and outside of the accounting function of the Town.

Recommendation:

We recommend that the Town implement some type of system to track and record the additions and deletions of capital assets when they are purchased and when they are disposed of. This system should consist of an initial recognition of items being purchased fitting the definition of a capital asset and a periodic inventory of capital assets to ensure that any items being disposed of have been recorded as such.

Views of responsible officials and planned corrective actions:

We have discussed this audit finding with our auditor and we do understand the importance of keeping a detailed listing of our capital assets and other inventory items as described above. We also agree that the main reason that this type of detailed listing has not been completed is due to a lack of available time and available resources within and outside of the accounting function of the Town. We do plan on reviewing this situation further in order to determine how the internal control procedures currently in place for other asset and transaction accounts of the Town can most effectively be applied to capital assets and inventory record keeping. We hope that this internal control deficiency will be adequately addressed during the upcoming fiscal year and hope that this finding will no longer be applicable going forward.

**15-05 - Town grant and award balances**

Criteria:

The Town receives a number of grants and awards from a number of different funding sources for a number of different purposes. The responsibility of the Town is to spend and account for these grants and awards in such a way as to both ensure that the funds are being used as prescribed in the funding agreement and also to ensure that the use and burden on Town resources is as reasonable and necessary as possible. One way to lessen the burden on Town resources would be to have an adequate system of internal controls in place to ensure that those charged with the spending and reporting of grants and award balances work effectively with the finance office of the Town to ensure that these expenditures are being accurately reflected within the accounting software of the Town and that funds are being requested from the funding source in a timely manner.

Condition:

The Town uses liability accounts within its accounting software to account for the revenues and expenditures of certain state, federal and other grant and award agreements. The activity of these grants and awards are accounted for separately from the general fund so that the expenditures being recorded within the general fund reflect the true operating costs of the Town. Grants and awards are often received to fund projects which fall outside of these true operating costs and therefore the revenues and expenditures are tracked separately as described above. The Town does appear to have an adequate system of internal controls in place to ensure that these grant and award balances are being used as prescribed in the funding agreement and that they are being accurately reflected within the accounting software of the Town. However, a review of the activity and balances within these individual liability accounts showed that in October of 2014 the Town received a notification of grant award relating to the State of Connecticut Local Capital Improvement Program in the amount of $15,000. Expenditures were incurred for this approved project throughout the remainder of the fiscal year totaling $11,250 by the end of the fiscal year. Through a review of the cash receipts of the Town subsequent to the end of the fiscal year we were unable to determine that any of the funds due under this award agreement had been received. In addition, the Town was unable to provide a copy of any reimbursement request submitted to the state relating to this award. We do consider this condition to represent a significant deficiency in internal control over financial reporting.

Context and effect and cause:

The Town received an additional notification of grant award in June of 2015 relating to the State of Connecticut Local Capital Improvement Program in the amount of $44,750. Through a review of the financial activity subsequent to the end of the fiscal year it was determined that expenditures relating to this award were incurred and paid during November of 2015 and that a reimbursement request was submitted to the state during February of 2016. The fact that reimbursement for a subsequent grant award was requested prior to the aforementioned grant award shows a lack of internal controls over the award billing and request process. As a result, the expenditure of town funds relating to the aforementioned award does appear to have created an unnecessary burden on the assets of the Town. We were unable to determine the cause for a reimbursement request not being submitted as a simple review of the general ledger of the Town does show a deficit balance within this liability account.

Recommendation:

We recommend that the Town contact the specific awarding agency within the State of Connecticut to determine that reimbursement for the expenditures under the aforementioned award agreement can still be requested. If it is determined that a reimbursement request can still be made, we recommend that the Town complete the necessary request form and backup documentation and submit it to the state as soon as possible. We also recommend that the Town develop a system of internal controls whereby the balances within these grant and award liability accounts are periodically reviewed to determine the status of each grant and award project. Any unexpected balances within these grant and award liability accounts should be reviewed and acted upon in a timely manner.

Views of responsible officials and planned corrective actions:

We have discussed this audit finding with our auditor and we do understand the importance of having an adequate system of internal controls relating to the grant and award agreements of the Town. We intend to follow up on this item with the applicable awarding agency at the State of Connecticut and put together and submit the necessary reimbursement request form and backup documentation.

**15-06 - Internal control over and compliance with Connecticut General Statutes Sec. 8-215**

Criteria:

Sec. 8-215 of the Connecticut General Statutes addresses tax abatements and the process by with a municipality would give and document such tax abatements for housing for low or moderate-income persons. The statute states, "Any municipality may by ordinance provide for the abatement in part or in whole of real property taxes on any housing solely for low or moderate-income persons or families and may by ordinance classify the property on which such housing is situated as property used for housing solely for low or moderate-income persons or families. Such tax abatement shall be used for one or more of the following purposes: (1) To reduce rents below the levels which would be achieved in the absence of such abatement and to improve the quality and design of such housing; (2) to effect occupancy of such housing by persons and families of varying income levels within limits determined by the Commissioner of Economic and Community Development by regulation, or (3) to provide necessary related facilities or services in such housing. Such abatement shall be made pursuant to a contract between the municipality and the owner of any such housing, which contract shall provide the terms of such abatement, that moneys equal to the amount of such abatement shall be used for any one or more of the purposes herein stated, and that such abatement shall terminate at any time when such housing is not solely for low or moderate-income persons or families."

Condition:

The Town presently grants a tax abatement to an organization which does provide housing for low or moderate-income housing. A tax abatement agreement between the Town and this organization is in place, however, we were unable to find within the agreement the specific types of purposes as outlined within the above criteria paragraph. The agreement does state in part that the organization, "needs to continue to provide housing for low and moderate income elderly residents." This statement does not specifically state that the housing needs to be provided to residents of the Town of Andover as a previous abatement agreement did and it seems far less specific and far less in depth then the aforementioned state statute would appear to require. We do consider this condition to represent a significant deficiency in internal control over compliance.

Context:

Given the context of the current abatement agreement in place and the fact that it would appear to be missing certain representations as outlined in the aforementioned state statute it would appear to demonstrate a lack of internal controls over the required content of the agreement.

Effect:

If the required tax abatement agreement which is in place does not include all of the required aspects of the aforementioned state statute, then the Town may not be in compliance with the aforementioned statute.

Cause:

The reason for the current tax abatement agreement not containing this specific information is unknown.

Recommendation:

We recommend that the Town look into whether the current tax abatement agreement which is in place should be modified to incorporate the specific items outlined in the aforementioned state statute. We also recommend that the Town develop some type of internal controls over these types of agreements to ensure that any required items are contained in similar future agreements.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we understand his concerns regarding the language and the content of the current abatement agreement. We do feel that the current abatement agreement in place is adequate given our current interpretation of the aforementioned statute but we do agree that it would be beneficial to look into whether the current tax abatement agreement which is in place should be modified to incorporate the specific items outlined in the aforementioned state statute. We will provide the results of this review to the auditor during the upcoming fiscal years audit for an evaluation of our findings.

## 15-07 - Internal control over and compliance with Connecticut General Statutes Sec. 9-210

Criteria:

Sec. 9-210 of the Connecticut General Statutes addresses the compatibility of town offices within a municipality. The statute states, "No selectman shall hold the office of town clerk, town treasurer or collector of town taxes during the same official year, nor that of judge of probate for the district within which such town is located; no town treasurer shall hold the office of collector of town taxes during the same official year; nor shall any town clerk or selectman be elected a registrar of voters; and no registrar of voters shall hold the office of town clerk. No assessor shall act as a member of the board of assessment appeals. No member of the board of finance of any town shall hold any salaried town office unless otherwise provided by special act. If any registrar of voters is elected to the office of town clerk or selectman and accepts the office, he shall thereupon cease to be a registrar; and, if any town clerk or selectman is elected registrar of voters, the election shall be void; and in either of said cases the selectmen shall forthwith appoint another registrar by a writing signed by them and filed with the town clerk; but the person so appointed shall be a member of the same political party as that to which the person so elected belongs.."

Condition:

Subsequent to the end of the current fiscal year but prior to the completion of the audit, the Board of Selectmen of the Town appointed a member of the Board of Selectmen to be the temporary town treasurer. The above referenced state statute seems to very clearly describe the compatibility of town offices within a municipality. As the statute states in part that no selectmen can hold the office of town treasurer it would appear clear that the town was not in compliance with this state statute. The statute does not appear to include any circumstances under which a selectman can be appointed as the town treasurer on a temporary basis. We were unable to find nor were we provided with any subsequent Board of Selectmen meeting minutes in which this appointment was rescinded so therefore it would appear that the town is still currently not in compliance with this state statute.

Context:

Given that a specific state statute was present governing the appointment of a member of the Board of Selectmen to the position of town treasurer, it would appear that this situation not only shows that the Town is not in compliance with the applicable state statute but that there is also a lack of internal controls over compliance. We do consider this condition to represent a significant deficiency in internal control over compliance.

Effect:

The simple effect is that the Town is not in compliance with the aforementioned state statute. We are unaware of any ramifications that may result from this instance of non-compliance.

Cause:

We are unaware as to why this particular state statute was not considered when appointing a member of the Board of Selectmen to the position of town treasurer.

Recommendation:

We recommend that the Town take whatever steps it deems necessary in order to be in compliance with the aforementioned state statute. We also recommend that the Town develop some type of internal controls to ensure that all applicable state statutes are being followed.

Views of responsible officials and planned corrective actions:

We have discussed this finding with our auditor and we understand his concerns regarding the level of compliance that the town has currently displayed regarding the aforementioned state statute. We intend to fully research the topic and determine the correct course of action to ensure that we are correctly following the parameters of the aforementioned state statute going forward.

# Stephen T. Hopkins, CPA, PC

Auditing, Accounting, and Consulting Services

*214 Holmes Road / Scarborough, Maine 04074 / Phone: (207) 885 - 5038 / Fax: (207) 470 - 5050*


Independent Auditors Report on Compliance for each major state program and Internal control over compliance and the Schedule of expenditures of state financial assistance required by the State Single Audit Act

Board of Finance
Board of Selectmen
Town of Andover, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of Andover, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Andover, Connecticut's major state programs for the year ended June 30, 2015. The Town of Andover, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town of Andover, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Andover, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Andover, Connecticut's compliance.

**Opinion on Each Major State Program**

In our opinion, the Town of Andover, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the Town of Andover, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Andover, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Andover, Connecticut's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purposes.

## Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Andover, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Andover, Connecticut's basic financial statements, and have issued our report thereon dated April 19, 2016, which contained unmodified opinions on the governmental activities, each major fund and the aggregate remaining fund information. An adverse opinion was issued on the discretely presented component unit financial statements of the Town of Andover, Connecticut as it relates to the government-wide financial statement exclusion of the financial information of an entity determined to be a component unit. This adverse opinion is described in more detail in the Independent Auditors' Report which can be found on pages 1 and 2 of the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Andover, Connecticut's financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen T. Hopkins, CPA, PC

Stephen T. Hopkins, CPA, PC

Scarborough, Maine
April 19, 2016

Town of Andover, Connecticut
Schedule of expenditures of state financial assistance
For the year ended June 30, 2015

| State grantor/pass through Grantor/program title | State grant program Core-CT number | Expenditures |
|---|---|---|
| **Office of Policy and Management:** | | |
| Payment in lieu of taxes (PILOT) on state owned property | 11000-OPM20600-17004-2015 | $ 20,165 |
| Disabled program | 11000-OPM20600-17011-2015 | 497 |
| Property tax relief for elderly and totally disabled homeowners | 11000-OPM20600-17018-2015 | 14,148 |
| Property tax relief for veterans | 11000-OPM20600-17024-2015 | 1,140 |
| Municipal purposes and projects | 12052-OPM20600-43587-2015 | 2,464 |
| Local capital improvement program | 12052-OPM20600-40254-2015 | 11,250 |
| **Department of Education** | | |
| Assessment reduction grant | 11000-SDE64370-12171-2015 | 10,000 |
| CCS professional learning mini grants | 11000-SDE64370-12566-2015 | 2,135 |
| **Office of Early Childhood:** | | |
| School readiness | 11000-OEC64845-12113-2015 | 101,723 |
| School readiness quality enhancement | 11000-OEC64845-17097-2015 | 2,946 |
| **Department of Energy and Environmental Protection:** | | |
| Small town economic assistance grant | 12052-DEP43153-40531-2015 | 18,567 |
| **Department of Transportation:** | | |
| Town aid road grants | 12052-DOT57131-43455-2015 | 203,582 |
| Bus operations | 12001-DOT57931-12175-2015 | 9,694 |
| **Connecticut State Library:** | | |
| State Grants to Public Libraries | 11000-CSL66051-17003-2015 | 1,159 |
| Connecticard Payments | 11000-CSL66051-17010-2015 | 123 |
| Historic documents preservation grant | 12060-CSL66094-35150-2015 | 5,000 |
| **Other Departments miscellaneous awards:** | | |
| Non-budgeted operating appropriation | 34001-JUD95162-40001-2015 | 1,724 |
| Total State Financial Assistance before exempt programs | | 406,317 |
| Exempt programs | | |
| **Department of Education:** | | |
| Transportation for school children | 11000-SDE64370-17027-2015 | 15,665 |
| Education equalization grants program 82010 | 11000-SDE64370-17041-2015 | 2,384,269 |
| Special Education excess costs | 11000-SDE64370-17047-2015 | 31,891 |
| **Office of Policy and Management:** | | |
| Mashantucket Pequat grant | 12009-OPM20600-17005-2015 | 15,990 |
| Total exempt programs | | 2,447,815 |
| Total expenditures of State Financial Assistance | | $ 2,854,132 |

**Town of Andover, Connecticut**
Notes to Schedule of expenditures of state financial assistance
For the year ended June 30, 2015

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Andover, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including but not limited to education, transportation and roads, tax relief, and library programs.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Andover, Connecticut conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

There are two sets of basic financial statements contained in the Town of Andover, Connecticut's annual report as required by GASB Statement No. 34. The government-wide financial statements are prepared on the accrual basis of accounting, whereas, the fund financial statements are prepared on the modified accrual basis of accounting. The following is a summary of such bases:

Accrual Basis - Government-wide financial statements:

- Revenues are recognized when they are earned.
- Expenses are recorded when they are incurred.

Modified Accrual Basis - Fund financial statements:

- Revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty days after year end. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

- Expenditures are recorded generally when the related fund liability is incurred. This includes reimbursable expenditures which have been incurred by the Town and therefore included in the accompanying schedule of expenditures of state financial assistance but which have not yet been reimbursed and are considered and recorded as accounts receivable. The determination of when an award is expended should be based on when the activity related to the award occurs. Exceptions to this general rule include principal and interest on general long-term debt which is recorded when due.

The Schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of expenditures of state financial assistance.

Town of Andover, Connecticut
Schedule of findings and questioned costs
For the year ended June 30, 2015

I. Summary of Audit Results

**Financial Statements**

Type of auditor's report issued: Modified

Internal control over financial reporting:

| | | | | |
|---|---|---|---|---|
| • Material weakness (es) identified? | X | yes | | no |
| • Significant deficiency (ies) identified? | X | yes | | none reported |
| • Noncompliance material to the financial statements noted? | | yes | X | no |

**State Financial Assistance**

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

| | | | | |
|---|---|---|---|---|
| • Material weakness (es) identified? | | yes | X | no |
| • Significant deficiency (ies) identified? | | yes | X | none reported |
| • Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? | | yes | X | no |

**Major State Programs and percentage of coverage**

- The following schedule reflects the major programs included in the audit. Sec. 4-230 of the Connecticut General Statutes states that a "major state program means any program, excluding an exempt program, determined to be a major state program by the independent auditor pursuant to the requirements of the risk based approach". Under step two of this process all Type A programs must be identified. Based on the Town of Andover, Connecticut's non-exempt expenditures of state financial assistance amount of $406,317, a Type A program shall be considered a non-exempt state program for which the amount of state financial assistance expended under the program for the audit period equals or exceeds $100,000. The Town of Andover has two Type A programs for the current fiscal year based on the $100,000 dollar threshold and therefore all of its remaining programs would be considered Type B programs. The Town does not have any Type B programs for which a risk assessment must be performed considering there are no Type B program with expenditures in excess of $25,000.

- In accordance with Subpart A of the risk assessment procedures, the following considerations have been applied to the Type A programs of the Town to determine whether they should be considered high risk: The dollar value of the applicable transactions, the complexity of the requirements of the program and as compared to other programs of the Town, whether the program has been tested as major during at least one of the two most recent audit periods and an assessment based on professional judgement. The Town's two Type A programs were determined to be high-risk and therefore will be audited as major programs. In addition, the Town did not have any Type B programs for which a risk assessment was required and as a result it was determined that there were no high-risk Type B programs which were audited as major programs. The total non-exempt state financial assistance expended by the Town for the current audit period was $406,317. The programs tested as major and shown below represent approximately 75% of the total non-exempt state financial assistance expended.

| State grantor and program | State grant program Core-CT number | Expenditures |
|---|---|---|
| School readiness | 11000-OEC64845-12113-2015 | $ 101,723 |
| Town aid road grants | 12052-DOT57131-43455-2015 | 203,582 |
| | | $ 305,305 |

- Dollar threshold used to distinguish between Type A and Type B programs: $ 100,000

## II. Financial Statement Findings

- We issued our report, dated April 19, 2016, 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*.

- Our report on internal control over financial reporting indicated seven significant deficiencies. The details of these significant deficiencies can be found in the schedule of findings and questioned costs referred to as item numbers 15-01 through 15-07 starting on page 62. We do consider the significant deficiencies referred to as item numbers 15-01 and 15-02 which can be found on pages 62 and 63 to be a material weaknesses.

- Our report on compliance and other matters indicated no reportable instances of noncompliance.

## III. State Financial Assistance Findings and Questioned Costs

- No findings or questioned costs are reported relating to State financial assistance programs.