

FINAL OFFICIAL STATEMENT DATED SEPTEMBER 5, 2012

TOWN OF HANOVER, MASSACHUSETTS

\$8,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated
September 14, 2012

Due
September 13, 2013

<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
1	\$ 8,500,000	1.25%	0.22%	411018 QN7

Jefferies

Purchaser

The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED AUGUST 21, 2012 supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

FirstSouthwest

Financial Advisor

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED AUGUST 21, 2012

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: MIG-1

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. The Notes will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "Tax Exemption" herein.

**TOWN OF HANOVER, MASSACHUSETTS
\$8,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The Town of Hanover, Massachusetts (the "Town") will receive telephone and electronic bids at First Southwest Company (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 11:00 A.M., Eastern Time, Wednesday, September 5, 2012, for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$8,500,000 General Obligation Bond Anticipation Notes (renewal) dated September 14, 2012 and payable September 13, 2013. Interest will be computed on a 30 day month, 360-day year basis (359/360).

Bids may be submitted electronically via *PARITY* pursuant to this Notice of Sale until 11:00 A.M., Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY* conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about *PARITY*, potential bidders may contact First Southwest Company or *PARITY* at (212) 404-8102.

Bids may be submitted for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%). No bid for less than par and accrued interest to the date of delivery will be considered.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than Noon, Eastern Standard Time, on the date of sale.

The award of the Notes to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The Notes will be awarded on the basis of lowest net interest cost to the Town. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from September 14, 2012, until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of notes than bid, the premium shall be reduced proportionately. The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid.

A successful bidder for all of the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of The Depository Trust Company (DTC). The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

On or prior to the date of delivery of the Notes, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel to the effect that (a) as of September 5, 2012 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding bond houses, brokers, or similar persons

acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the purchaser is purchasing the Notes for its own account and not on behalf of another party, and the purchaser does not currently intend to resell the Notes, the successful bidder will be required to so certify.

Principal of and interest on the Notes will be payable upon maturity in federal reserve funds at the U.S. Bank National Association, Boston, Massachusetts. The Notes will not be subject to redemption prior to maturity. The Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000, or integral multiples thereof, with transfer of the Notes on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC, unless the issuance of a fully-registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry Transfer System").

The purchaser(s) will be furnished the opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts approving the legality of the Notes (see "Tax Exemption") and stating that they are valid and binding general obligations of the Town of Hanover, Massachusetts, and unless paid from the bond proceeds in anticipation of which they are issued or from other sources, the principal of and interest on the Notes will be payable from taxes that may be levied upon all the property within the territorial limits of the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

It shall be a condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting Notes and paying therefore, it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery the Notes and receipt of payment therefore, to the effect that there is no litigation pending, or to the knowledge of the signer or signers therefore, threatened affecting the validity of such Notes or the power of the Town to levy and collect taxes to pay them, and (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Notes referred to below, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

In order to assist bidders in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will undertake to provide notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

It is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on said Notes shall be paid for by the Town, however, the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such number.

The Notes will be delivered to DTC for credit to the Town in federal reserve funds or the office of its custodial agent, or to the registered owner if a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town.

Additional information concerning the Town of Hanover and the Notes is contained in the Preliminary Official Statement dated August 21, 2012, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes, and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from the First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, five copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

TOWN OF HANOVER, MASSACHUSETTS

/s/ Jennifer Petit, Finance Director

August 21, 2012

**OFFICIAL STATEMENT
TOWN OF HANOVER, MASSACHUSETTS
\$8,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Hanover, Massachusetts (the "Town") in connection with the sale of \$8,500,000 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

The Notes

The Notes will be dated September 14, 2012, and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on September 13, 2013. The Notes will bear interest payable at maturity, calculated on the basis of 30 day months and on a 360 day-year, at the rate or rates determined upon their sale in accordance with the Notice of Sale dated August 21, 2012. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the issuance of a fully-registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry-Transfer System," herein.)

Authorization of the Notes and Use of Proceeds

The following table sets forth the principal amount, purpose, amount authorized, statutory reference and date of approval, for the current offering of Notes.

Purpose	This Issue	Total Authorization	Bond Anticipation Notes Outstanding	Statutory Reference	Date of Authorization
High School Construction	\$ 8,500,000	\$ 59,877,000	(1) \$ 8,500,000	Ch.70B	9/8/2008
TOTAL:	<u>\$ 8,500,000</u>		<u>\$ 8,500,000</u> (2)		

- (1) On September 16, 2008 the Town voted to exempt this authorization from the limitations of Proposition 2 ½.
(2) This issue will retire a like amount of bond anticipation notes maturing on September 14, 2012.

Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Notes are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes,

and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder's basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Notes being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Notes from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

Book-Entry Transfer System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an AA+ rating with Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

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

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

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

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

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

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

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

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "*Serial Bonds and Notes*" under "INDEBTEDNESS - *Types of Obligations*") and setoffs of state distributions as described below (see "*State Distributions*" under "TOWN FINANCES – *Revenues*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

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

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in

connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

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

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

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Notes will be rendered by Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel. The opinion will be dated the date of the original delivery of the Notes and will speak only as of such date.

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

Bank Eligibility

The Notes will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Financial Advisory Services of First Southwest Company

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town.

Disclosure of Significant Events

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Town; (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Other than the Town, there are no obligated persons with respect to the Notes within the meaning of the Rule. The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF HANOVER, MASSACHUSETTS

General

The Town is located along Route 3 in northern Plymouth County, approximately 25 miles south of Boston. Hanover is bordered by the Towns of Norwell, Pembroke, Hanson and Rockland. The Town's approximately 13,164 residents inhabit a land area of 15.6 square miles.

The Town operates under an open town meeting form of government presided over by a Town Manager. Subject to the legislative decisions made by the Town Meeting, the affairs of the Town are generally administered by a five-member Board of Selectmen, which in turn appoints a Town Manager who is solely responsible to the Board of Selectmen.

The following tables set forth the principal executive officials of the Town.

Principal Town Officials

<u>Town Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectman, Chair	John S. Barry	Elected	2014
Selectman, Vice Chair	Joseph Salvucci	Elected	2013
Selectman	Susan M. Setterland	Elected	2014
Selectman	Gary W. Young	Elected	2015
Selectman	Harold L. Dunn, III	Elected	2015
Town Manager	Troy B.G. Clarkson	Appointed	2015
Director of Finance	Jennifer Petit	Appointed	2014
Treasurer/Collector	Darleen Sullivan	Appointed	2014
Town Clerk	Robert Shea	Elected	2013
Town Counsel	James A. Toomey	Appointed	Indefinite

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, street maintenance, parks and recreational facilities, public education and water services. The Town operates a water treatment plant which was built in 1972 and has been modified to meet current federal and state regulations. In addition, the Hanover Housing Authority provides 29 units of low income and elderly housing.

The principal services provided by Plymouth County are courts, a jail and house of correction, registry of deeds, and an agricultural aid program.

Education

The Town's school system provides education for students from pre-kindergarten through grade twelve. The Town has three elementary schools providing education for grades pre-K through 4, one middle school providing education for grades 5-8 and one high school providing education for grades 9-12. The total design capacity of existing buildings is estimated at 3,020. Following is a table setting forth actual and projected enrollments in the Town's schools.

PUBLIC SCHOOL ENROLLMENTS (as of October 1)

	Actual					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Elementary	1,181	1,180	1,134	1,128	1,073	1,049
Middle School	894	912	932	931	913	913
High School	719	704	652	646	699	696
Totals	<u>2,794</u>	<u>2,796</u>	<u>2,718</u>	<u>2,705</u>	<u>2,685</u>	<u>2,658</u>

The South Shore Regional Vocational Technical High School provides vocational education in grades nine through twelve to eight member municipalities. As of October 1, 2011 the school enrollment was 598 with 64 students from Hanover.

Industry and Commerce

The Town is located 25 miles southeast of downtown Boston and is centrally situated in the South Shore region. Hanover is a regional commercial center served by a Route 3 interchange with Hanover's main commercial artery, Route 53, in close proximity to the Hanover Mall. Commercial activity is further enhanced by close access to two other Route 3 interchanges at Route 228 in Rockland and at Route 139 in Pembroke. These three interchanges combined with the relative lack of commercial zoning and development in neighboring towns such as Pembroke, Hanson, Rockland, Norwell, Scituate and others make Hanover the shopper's choice as a regional business center. Route 53 is commercially zoned for its entire five-mile length in Hanover. In 2005, the Town adopted a mixed-use overlay zoning district, allowing a mix of commercial and residential uses along this corridor. In April, 2006 the Planning Board approved the second of three phases which will create the Town's first mixed-use development under this bylaw. Several other sites are prime locations for similar mixed use developments.

Although Route 53 is 90% built out according to current zoning, significant development and redevelopment opportunities remain, including over 2.5 million square feet of floor area available to new commercial and industrial development. The Planning Department and Planning Board are currently conducting a comprehensive review of zoning regulations to increase the potential of this corridor with regard to economic growth and development while maintaining Town character. At this year's Town Meeting the Town hopes to adopt additional zoning provisions which will encourage further development and redevelopment along Route 53 and in the Town's limited industrial districts. The Town Planner estimates that the proposed rezoning will result in approximately 400,000 square feet of new development.

To enhance access to this development, the first phase of the widening of Route 53 to five lanes was completed several years ago, thus increasing road capacity around the Hanover Mall. Phase 2 of the widening of Route 53 recently completed construction down to McGee Toyota. Phase 2 widened that section of Route 53 from Mill Street to Pond Street, approximately one mile in length. The entire artery is surrounded by Mixed-Use, Commercial, Business, Limited Industrial, and Shopping Center (Mall) zoning. Bridge work is underway with funding from the federal government as one of the "shovel ready projects". The bridges are expected to be complete by late summer/early fall of 2012. The road expansion has increased interest in the older commercial space for renovation and possible redevelopment.

Hanover is active in supporting the business community and in managing its resources to provide for expansion of the tax base. The Town Boards are pleased with the amount of commercial and industrial development and redevelopment which have continued to occur. Redevelopment has taken the form of expansion of existing businesses, occupancy of vacant facilities, renovation of existing sites and facilities, and rehabilitation of older industrial areas.

A Target shopping center has recently been completed. Tenants include Aspen Dental, Pet Smart, Five Guys Burgers, Game Stop and Weight Watchers. This strip mall is closest to Route 53 and is 80% occupied with full occupancy anticipated soon.

The Hanover Mall is in the process of designing a new sewage treatment plant to be relocated closer to the leach fields. The increased capacity will allow for future expansion plans of which includes a Dicks Sporting Goods Store, a possible Wal-Mart addition and an increase in size of Trader Joes.

The South Shore YMCA added the Emilson Arts and Entertainment pavilion last year and plan on expanding this facility for year round use in the future. The YMCA will need to upgrade the septic system and install a new sewage treatment plant before the expansion can take place.

Barstow Village broke ground on July 25, 2011 with the approved 62 units of affordable senior housing.

The Town currently has a 152 unit 40B application on file with the Zoning Board of Appeals on the larger parcel located in the Interchange District. If the project is approved and built, it will reduce this one parcel to less than 75 acres and not allow any development under the Interchange District provisions. The Planning Board is working with the property owner to draft new language for the interchange district that would allow development of the remaining acreage. They would like to allow commercial development to go along with the residential 40B that has been proposed.

The Town also has a continued interest in the assisted living site on Mill Street. The owners currently have a special permit application with the planning board.

The Town is primarily residential in character but has a substantial amount of commerce. Trade, transportation and utilities are the leading economic pursuits accounting for approximately 59% of the employment.

EMPLOYMENT AND PAYROLLS

Hanover is a residential suburb of Boston. The wholesale/retail trade sector employed the greater percentage of people, followed by the services sector. The following table lists the major categories of income and employment from 2006-2010.

Industry	Calendar Year Average				
	2006	2007	2008	2009	2010
Construction	504	491	458	347	354
Manufacturing	512	501	504	447	483
Trade, Transportation & Utilities	2,970	2,787	2,580	2,329	2,441
Information	101	129	122	111	104
Financial Activities	490	361	346	340	259
Professional and Business Services	561	572	618	572	641
Education and Health Services	785	838	835	844	826
Leisure and Hospitality	871	858	855	873	896
Other Services	261	341	349	324	390
Total Employment	7,055	6,878	6,667	6,187	6,394
Number of Establishments	695	687	692	663	689
Average Weekly Wages	\$ 756	\$ 750	\$ 761	\$ 756	\$ 723
Total Wages	\$ 283,397,014	\$ 275,615,560	\$ 271,582,614	\$ 250,561,501	\$ 247,550,125

SOURCE: Massachusetts Department of Employment and Training. Data based upon place of employment, not place of residence. Due to reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

The following table lists the Town's largest employers, exclusive of the Town itself.

LARGEST EMPLOYERS

Name	Product/Function	Approximate No. of Employees
Hanover Mall	Retail Stores	1,000 (1)
Cardinal Cushing School and Training Center	Training School	345
Target	Retail Store	200
P. A. Landers	Construction	187
Sears Roebuck & Co.	Department Store	170 (2)
Shaws	Food Market	150
Macy's	Department Store	119 (2)
Walmart	Retail Store	75 (2)
J. C. Penny	Department Store	58 (2)
Columbia Motors Car Co., Inc.	Automotive	42
Cri-Tech	Manufacturing	37

(1) This major retail shopping center located in the South Shore area contains over 100 retail stores, including Sears, Walmart, Macy's and J.C. Penny.

(2) Although located at the Hanover Mall, these numbers are not included in the Hanover Mall figure.

The following table compares retail trade data for the Town with that of the Commonwealth as a whole.

RETAIL SALES

	<u>Hanover</u>	<u>Massachusetts</u>
Establishments:		
1997	191	26,209
1992	227	38,491
1987	237	38,905
Sales(000):		
1997	\$491,005	\$58,578,048
1992	298,665	47,663,248
1987	309,615	44,818,481
Per Capita Sales:		
1997	\$41,219	\$5,663
1992	25,073	7,922
1987	25,992	7,731

SOURCE: 1997, 1992, and 1987 U.S. Census of Retail Trade and 1990 and 1980 State and Federal Census.

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training, in May 2012, the Town had a total labor force of 7,493 of which 7,142 were employed and 351 or 4.7% were unemployed as compared with 5.8% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2007 through 2011 and the unemployment rate for the Commonwealth and United States as a whole for the same period.

UNEMPLOYMENT RATES

<u>Year</u>	<u>Town of Hanover</u>		<u>Commonwealth</u>	<u>United States</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2011	7,595	7.4%	6.8%	8.9%
2010	7,595	7.4	8.4	9.4
2009	7,596	7.1	9.3	10.1
2008	7,594	4.4	5.3	5.8
2007	7,666	3.6	5.0	4.6

SOURCE: Mass. Department of Employment and Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment. Monthly data are unadjusted.

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2007 through 2011. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction and Town projects.

Calendar Year	New Construction				Additions/Alterations				Totals	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No.	Value	No.	Value	No.	Value	No.	Value		
2012 (1)	11	\$2,790,100	2	\$45,442	161	\$2,469,543	2	\$45,422	176	\$5,350,507
2011	25	5,665,000	7	6,715,807	260	4,723,806	29	5,405,290	321	22,509,903
2010	10	2,906,480	6	4,854,424	119	2,661,702	45	2,568,207	180	12,990,813
2009	26	8,379,274	1	60,000	293	4,597,915	42	2,042,125	362	15,079,314
2008	17	4,845,040	3	9,983,540	366	5,685,359	70	1,932,785	456	22,446,724
2007	34	8,452,050	4	3,096,402	364	7,357,574	49	6,862,098	451	25,768,124

(1) Issued through July 30, 2012.

Transportation and Utilities

The principal highway serving the Town is Route 3 which provides direct access into Boston and Cape Cod. Public transportation is provided by the Plymouth and Brockton Bus Company, under contract with the Massachusetts Bay Transportation Authority (MBTA). The MBTA has completed construction of two lines of the Old Colony commuter rail which expanded service for Hanover due to stations located in neighboring towns.

Water is supplied by the Town's Water Department. Electricity is supplied by Massachusetts Electric.

Population, Income and Wealth Levels

The following table compares the most recent three census years' averages for the Town, the Commonwealth and the United States.

	<u>Hanover</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2000	37.5	36.5	35.3
1990	34.1	33.6	32.9
1980	28.1	31.2	30.0
Median Family Income:			
2000	\$86,835	\$50,502	\$50,046
1990	59,473	44,367	35,225
1980	27,034	21,166	19,908
Per Capita Income:			
2000	\$30,268	\$25,952	\$21,587
1990	17,789	17,224	14,420
1980	7,568	7,459	7,313

SOURCE: Federal Census.

On the basis of the 2010 Federal census, the Town has a population density of 889 persons per square mile.

POPULATION TRENDS

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>
13,879	13,164	11,912	11,358

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

TAX LEVY COMPUTATION

	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
GROSS AMOUNT TO BE RAISED:					
Appropriations(1)	\$47,314,753	\$49,867,278	\$51,328,270	\$50,519,438	\$53,778,201
Other Local Expenditures	36,777	32,836	443,250	442,466	171,606
State and County Charges	487,040	478,332	542,071	522,567	516,848
Overlay Reserve	152,709	218,023	254,327	443,452	507,420
Total Gross Amount to be Raised	<u>\$47,991,279</u>	<u>\$50,596,469</u>	<u>\$52,567,918</u>	<u>\$51,927,923</u>	<u>\$54,974,075</u>
LESS EST. RECEIPTS & OTHER REVENUE:					
Estimated Receipts from State(2)	9,711,538	9,870,176	8,927,763	8,810,753	8,685,129
Estimated Receipts - Local	8,134,849	8,849,838	8,934,150	8,350,779	8,724,473
Available Funds Appropriated:					
Free Cash	1,425,235	2,000,632	1,507,154	1,710,066	2,394,387
Other Available Funds(3)	719,451	720,016	1,200,325	671,661	1,071,326
Total Estimated Receipts & Revenue	<u>19,991,073</u>	<u>21,440,661</u>	<u>20,569,392</u>	<u>19,543,259</u>	<u>20,875,315</u>
Net Amount to be Raised (Tax Levy)	<u>\$28,000,206</u>	<u>\$29,155,808</u>	<u>\$31,998,526</u>	<u>\$32,384,664</u>	<u>\$34,098,760</u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates. See "Reduction of State Aid" below.
- (3) Transfers from other available funds including "Free Cash" (see "Town Finances - Free Cash"), are generally made as an offset to a particular appropriation item. In addition, these transfers may include activity from the prior fiscal year occurring after the setting of the prior fiscal year's tax rate.

Assessed Valuations and Tax Levies

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

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

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "INDEBTEDNESS" below.

The following table sets forth the trend in equalized valuations of the Town.

<u>January 1</u>	<u>State Equalized Valuation</u>	<u>Percent Increase</u>
2012 (Proposed)	\$2,424,625,200	(7.25) %
2010	2,614,164,900	(7.89)
2008	2,838,173,500	10.08
2006	2,578,219,800	23.24
2004	2,091,954,600	31.56
2002	1,590,101,700	30.42

The table below sets forth the trend in the Town's assessed valuations, tax rates, tax levies, and tax levies per capita for the following fiscal years. The Town completed revaluations of its property for use in fiscal 2011.

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Property Valuation</u>	<u>Assessed Valuation</u>	<u>Per \$1,000 Valuation</u>	<u>Tax Levy</u>	<u>Tax Levy Per Capita(1)</u>
2012	\$2,206,809,300	\$46,786,660	\$2,253,595,960	\$15.00	\$34,098,760	\$2,457
2011 (2)	2,216,992,000	51,335,020	2,268,327,020	14.71	32,384,664	2,333
2010	2,316,514,812	52,546,220	2,369,061,032	13.41	31,998,526	2,306
2009	2,411,826,415	49,798,420	2,461,624,835	11.76	29,155,808	2,101
2008 (2)	2,579,227,115	42,477,030	2,621,704,145	11.00	28,000,206	2,017

(1) Based on a 2010 Federal Census of 13,879.

(2) Revaluation years.

Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate in fiscal years 2012, 2011, and 2010.

Property Type	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$1,901,976,919	84.4 %	\$1,904,969,050	84.0 %	\$1,962,771,579	82.9 %
Commercial	292,314,166	13.0	301,876,973	13.3	337,776,957	14.3
Industrial	59,304,875	2.6	61,480,997	2.7	68,512,496	2.9
Total Real Estate	<u>\$2,253,595,960</u>	<u>100.0 %</u>	<u>\$2,268,327,020</u>	<u>100.0 %</u>	<u>\$2,369,061,032</u>	<u>100.0 %</u>

(1) Includes open space.

Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon assessed valuations for fiscal 2012. As of the date of this statement all the taxpayers listed below were current in their tax payments.

Name	Nature of Business	Total Assesed Valuation for Fiscal 2012	% of Total Valuation
1175 Washington Street Holdings LLC	Commercial	\$55,000,000	2.44 %
Target Corporation	Commercial	15,709,500	0.70
TRT Hanover LLC/TRT Norwell LLC	Commercial	9,167,100	0.41
Washington 2053 LLC/HWMC LLC	Commercial	8,453,800	0.38
Hanover Investments LLC	Commercial	7,094,300	0.31
Northern Rose Hanover LTD	Commercial	6,963,900	0.31
AG-WP Hanover LLC	Commercial	6,389,300	0.28
511-525 Washington St LLC	Residential Apartments	6,319,900	0.28
Wearguard	Commercial	6,154,100	0.27
Murphy William J Trustee	Commercial/Industrial	5,892,700	0.26
Total		<u>\$127,144,600</u>	<u>5.64 %</u>

Abatements and Overlay

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

The table below sets forth the amount of the overlay reserve for the following fiscal years and actual abatements and exemptions granted through June 30, 2012.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements and Exemptions Granted Through June 30, 2012
		Dollar Amount	As a % of Net Levy	
2012	\$33,591,340	\$507,420	1.51 %	\$ 155,780
2011	31,941,212	443,452	1.39	223,116
2010	31,744,199	254,327	0.80	180,486
2009	28,937,785	218,023	0.75	167,431
2008	27,847,497	152,709	0.55	111,539

(1) Levy net of Overlay Reserve.

Tax Collections

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy(1)	Collections During Fiscal Year Payable(2)	
				Dollar Amount	% of Net Levy
2012	\$34,098,760	\$507,420	\$33,591,340	\$33,677,536	100.3 %
2011	32,384,664	443,452	31,941,212	32,130,896	100.6
2010	31,998,526	254,327	31,744,199	31,235,100	98.4
2009	29,155,808	218,023	28,937,785	28,504,503	98.5
2008	28,000,206	152,709	27,847,497	27,519,164	98.8

(1) Levy net of Overlay Reserve.

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

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest (at a rate of 14%) and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the land court.

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

The following table sets forth the amount of tax titles and possessions as of the end of each of the last five fiscal years and the amounts realized by the Town through tax title redemptions and the sale of tax title property during the same period.

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>	<u>Total Realized Through Sale of Tax Title Property and Tax Title Redemption</u>
2012	\$392,189	\$0
2011	340,972	0
2010	228,605	6,445
2009	46,283	0
2008	374,755	8,445

Sale of Tax Receivables

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

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

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

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

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

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

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

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

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

The Town of Hanover has been in full compliance with Proposition 2 1/2 since its inception.

The Town has passed three operating overrides for \$642,126, \$1,050,000 and \$1,230,199 on May 7, 1988, May 12, 1990 and May 10, 1999 respectively. The Town has passed debt exclusions for \$3,280,000 for the construction of a new Police Station, \$3,823,428 for a new Town library and \$14,850,000 for the reconstruction of three schools. On May 20, 2000 the Town excluded \$1,380,000 for two land acquisitions authorizations, and on May 10, 2008, the Town voted to exempt debt service on a senior center construction project (\$3,940,000). In addition, in 2009 the Town passed a debt exclusion for a new high school for \$59,484,384 and in 2011 a debt exclusion of \$8,500,000 for roads was approved.

Unused Levy Capacity (1)

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

	Calendar Year Average				
	2012	2011	2010	2009	2008
Primary Levy Limit (2)	\$ 56,339,899	\$ 56,708,176	\$ 59,226,526	\$ 65,540,604	\$ 65,542,604
Prior Fiscal Year Levy Limit	30,841,185	29,562,314	28,494,171	27,354,249	26,217,591
2.5% Levy Growth	771,030	739,058	712,354	683,856	655,440
New Growth (3)	302,043	539,813	355,789	456,066	481,218
Overrides	-	-	-	-	-
Growth Levy Limit	31,914,258	30,841,185	29,562,314	28,494,171	27,354,249
Debt Exclusions	2,187,354	1,572,969	2,449,939	676,524	657,499
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	34,101,612	32,414,154	32,012,253	29,170,695	28,011,748
Tax Levy	34,098,760	32,384,664	31,998,526	29,155,808	28,000,206
Unused Levy Capacity (4)	2,852	29,490	13,727	14,887	11,542
Unused Primary Levy Capacity (5)	<u>\$ 24,425,641</u>	<u>\$ 25,866,991</u>	<u>\$ 29,664,212</u>	<u>\$ 37,046,433</u>	<u>\$ 38,188,355</u>

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. The Town has no such Districts.

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

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

The Town accepted the Act in November 2004 and set the rate at 3% minus certain exemptions. The Town implemented the program in fiscal 2006 and has revenues as shown below.

Community Preservation Fund Revenues

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Contribution</u>	<u>Total</u>
2012	\$ 775,278	\$ 238,535	\$ 1,013,813
2011	738,846	243,120	981,966
2010	732,232	291,996	1,024,228
2009	686,713	517,713	1,204,426
2008	654,728	613,824	1,268,552
2007	616,428	613,824	1,230,252

TOWN FINANCES

Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at Town Meetings. Any item which proposes the appropriation of funds at a special town meeting can be voted only if the appropriation is approved by the Finance Committee. The school budget is limited to the amount appropriated by the Town Meeting, but the school committee retains full power to allocate the funds appropriated.

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

Enterprises: In fiscal 1993, the Town converted its Water Department operations from a Special Revenue Fund to an Enterprise fund. It is fully self-supporting, including all direct and indirect expenses.

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

Operating Budget Trends

The following table sets forth the operating budgets for fiscal years 2009 through 2013 as voted by the Annual Town Meetings. Said budgets exclude Mandatory Items (see above) and expenditures for "non-operating" or extraordinary items authorized under "separate" warrant articles.

BUDGET COMPARISON

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012 (4)</u>	<u>Fiscal 2013</u>
General Government	\$1,454,377	\$1,452,374	\$1,538,015	\$1,332,931	\$1,330,746
Public Safety	6,003,681	6,069,574	6,198,531	5,579,627	5,600,064
Schools	23,876,328	24,045,681	24,037,089	24,194,615	22,825,413
Public Works(1)	5,321,966	5,279,781	5,089,025	6,212,045	8,802,756
Community Services (2)	1,115,030	1,167,991	1,345,210	1,455,331	1,465,545
Debt & Interest	2,825,799	4,427,618	3,838,918	4,737,022	5,207,586
Library	520,330	520,330	520,813	0	0
Unclassified(3)	4,284,364	4,096,317	4,133,827	6,746,608	6,987,684
Pension	1,790,119	1,812,398	2,097,087	0	0
Total Expenditures	<u>\$47,191,994</u>	<u>\$48,872,064</u>	<u>\$48,798,515</u>	<u>\$50,258,179</u>	<u>\$52,219,794</u>

(1) Includes transfer station and water department operations & related debt service.

(2) Includes library and council on aging.

(3) Includes insurance and other employee benefits.

(4) Beginning in fiscal 2013, school maintenance facilities is classified under DPW.

Revenues

Property Taxes: Property taxes are a major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION--Tax Limitations" above.

State Aid Distributions: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate. In fiscal 2010 state aid in the General Fund totaled \$7,916,083. In fiscal 2011 state aid in the General Fund totaled \$8,365,485. In fiscal 2012 state aid in the General Fund totaled \$7,968,446.

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

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

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

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

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

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

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

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate based on a statewide average of property tax rates, but not exceeding \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 per cent per annum. Provision is also made for non-renewal of registration by the registrar of motor vehicles. In fiscal 2009, motor vehicle excise tax receipts in the General Fund totaled \$1,938,023. In fiscal 2010, motor vehicle excise tax receipts in the General Fund totaled \$1,816,619. In fiscal 2011, motor vehicle excise tax receipts in the General Fund totaled \$1,873,241. In fiscal 2012, motor vehicle excise tax receipts in the General Fund totaled \$1,873,747.

Water: Services are provided by the Department of Public Works of the Town of Hanover. It is the policy of the Town to have water revenues cover all direct operating costs, debt service and indirect costs of the Water Department. Beginning in fiscal year 1995, all water revenues and expenditures have been accounted for on an enterprise fund basis with rates set to fully cover all related costs. Water rates were last increased in fiscal 2010. There is a minimum charge per quarter, which depends on the size of the water meter at the service location, ranges from \$35.00 to \$568.00 and a usage charge per quarter ranges from \$2.51 to \$7.81 per hundred cubic feet. The Water Department's revenues and expenditures for fiscal years 2008 through 2012 are as follows:

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2012	\$3,248,547	\$2,921,432
2011	3,424,442	2,977,427
2010	2,763,420	2,913,463
2009	3,571,285	3,446,275
2008	2,836,389	2,519,787

Local Option Meals Tax: On May 7, 2012, the Town adopted the local meals excise tax to be effective July 1, 2012. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue from this tax is expected to generate approximately \$250,000 annually.

Other: Other major general fund sources of revenue in fiscal 2010 include interest income \$79,891, licenses and permits \$419,003 and departmental revenues \$611,326. Other major general fund sources of revenue in fiscal 2011 include interest income \$67,230, licenses and permits \$430,588 and departmental revenues \$603,260. Other major general fund sources of revenue in fiscal 2012 include licenses and permits \$499,597 and departmental revenues \$689,885.

Investment of Town Funds

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

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

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

Breakdown of the above investments may be obtained from the Town Treasurer. Pension funds are under the jurisdiction of the Plymouth County Retirement System. Investments and the retirement system are discussed in Appendix A.

Summary of Significant Accounting Policies

See audited financial statements attached as Appendix A.

Audits

Timothy M. Craven, CPA audited the Towns accounts for fiscal 1999 through 2009. Melanson Heath, CPA audited the Towns accounts for fiscal 2010 and 2011. Copies of audits are available upon request. A copy of the fiscal 2011 audit is attached as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years 2011, 2010 and 2009, and Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal year 2011 through 2007. Said statements were extracted from the Town's audited financials.

Town of Hanover, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2011 (1)

	General Fund	High School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short term investments	\$ 6,292,950	\$ -	\$ 3,951,842	\$ 3,653,814	\$ 13,898,606
Investments	4,443,941	8,948,398	-	428,639	13,820,978
Receivables:					
Property taxes	973,973	-	-	-	973,973
Excises	177,381	-	-	6,461	183,842
Departmental and other	-	-	9,721	1,737,088	1,746,809
Due from other governments	-	6,155,094	-	-	6,155,094
Total assets	<u>\$ 11,888,245</u>	<u>\$ 15,103,492</u>	<u>\$ 3,961,563</u>	<u>\$ 5,826,002</u>	<u>\$ 36,779,302</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 780,491	\$ 1,412,626	\$ 44,653	\$ 118,864	\$ 2,356,634
Accounts payable	29,051	-	-	-	29,051
Accrued liabilities	256,961	-	-	-	256,961
Deferred revenues	1,074,448	6,155,094	9,721	1,743,549	8,982,812
Deposits held in custody	-	-	-	213,403	213,403
Tax refunds payable	259,242	-	-	-	259,242
Notes payable	-	14,000,000	3,100,000	1,490,000	18,590,000
Other liabilities	1,115,861	-	-	-	1,115,861
Total liabilities	<u>3,516,054</u>	<u>21,567,720</u>	<u>3,154,374</u>	<u>3,565,816</u>	<u>31,803,964</u>
Fund balances:					
Nonspendable	-	-	-	166,960	-
Restricted	603,887	-	-	3,436,499	4,040,386
Committed	2,701,035	-	807,189	-	3,508,224
Assigned	2,669,158	-	-	-	2,669,158
Unassigned	2,398,111	(6,464,228)	-	(1,343,273)	(5,409,390)
Total fund balances	<u>8,372,191</u>	<u>(6,464,228)</u>	<u>807,189</u>	<u>2,260,186</u>	<u>10,217,768</u>
Total liabilities and fund balances	<u>\$ 11,888,245</u>	<u>\$ 15,103,492</u>	<u>\$ 3,961,563</u>	<u>\$ 5,826,002</u>	<u>\$ 36,779,302</u>

(1) Extracted from the audited financial statements.

Town of Hanover, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2010 (1)

	General Fund	High School Capital Project Fund	Community Preservation Fund	Senior Center Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short term investments	\$ 1,138,465	\$ 7,560,663	\$ 3,976,630	\$ 569,278	\$ 3,187,494	\$ 16,432,530
Investments	9,285,862				337,672	9,623,534
Receivables:						
Property taxes	1,063,227					1,063,227
Excises	137,347				8,574	145,921
Departmental and other			15,328		1,808,875	1,824,203
Due from other governments		18,279,149				18,279,149
Total assets	<u>\$ 11,624,901</u>	<u>\$ 25,839,812</u>	<u>\$ 3,991,958</u>	<u>\$ 569,278</u>	<u>\$ 5,342,615</u>	<u>\$ 47,368,564</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Warrants payable	\$ 1,237,068	\$ 38,639	\$ 192,653	\$ -	\$ 130,932	\$ 1,599,292
Accounts payable	25,536					25,536
Deferred revenues	1,049,851	18,279,149	15,328		1,817,449	21,161,777
Deposits held in custody					174,433	174,433
Notes payable			1,500,000	940,000		2,440,000
Other liabilities	594,593					594,593
Total liabilities	<u>2,907,048</u>	<u>18,317,788</u>	<u>1,707,981</u>	<u>940,000</u>	<u>2,122,814</u>	<u>25,995,631</u>
Fund balances:						
Reserved for:						
Encumbrances and continuing appropriations	1,498,013		679,512		427,826	1,107,338
Expenditures	1,710,066				1,868,034	3,366,047
Perpetual (unexpendable) permanent funds	441,269				206,960	1,917,026
Future debt						-
Unreserved:						
Undesignated, reported in:						
General fund	5,068,505					-
Special revenue funds			1,604,465		94,776	1,699,241
Capital project funds		7,522,024		(370,722)	210,551	7,361,853
Permanent funds					411,654	411,654
Total fund balances	<u>8,717,853</u>	<u>7,522,024</u>	<u>2,283,977</u>	<u>(370,722)</u>	<u>3,219,801</u>	<u>16,304,428</u>
Total liabilities and fund balances	<u>\$ 11,624,901</u>	<u>\$ 25,839,812</u>	<u>\$ 3,991,958</u>	<u>\$ 569,278</u>	<u>\$ 5,342,615</u>	<u>\$ 47,368,564</u>

(1) Extracted from the audited financial statements.

Town of Hanover, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2009 (1)

	General Fund	Community Preservation Fund	High School Capital Project Fund	Senior Center Capital Project Fund	Other Funds	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,581,596	\$ 3,352,346	\$ 14,517,075	\$ 2,594,469	\$ 2,376,027	\$ 32,421,513
Taxes receivable	1,253,163	13,380				1,266,543
Allowance for abatements	(303,979)					(303,979)
Excise receivable	122,301				648	122,949
Due from other governments	11,263,296		571,454		1,396,024	13,230,774
Betterment receivables					8,851	8,851
Departmental receivables						-
Total assets	<u>\$ 21,916,377</u>	<u>\$ 3,365,726</u>	<u>\$ 15,088,529</u>	<u>\$ 2,594,469</u>	<u>\$ 3,781,550</u>	<u>\$ 46,746,651</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,653,501	\$ 10,518	\$ -	\$ -	\$ 122,671	\$ 1,786,690
Deposits					367,066	367,066
Deferred revenues	12,160,129	13,380	571,454		1,396,673	14,141,636
Due to Other Funds						-
Bond Premium	499,007					499,007
Bond Anticipation Notes						-
Total liabilities	<u>14,312,637</u>	<u>23,898</u>	<u>571,454</u>	<u>-</u>	<u>1,886,410</u>	<u>16,794,399</u>
Fund balances:						
Reserved for encumbrances	1,628,054	308,327				1,936,381
Reserved for rate stabilization	1,657,418					1,657,418
Reserved for petty cash	925				13,100	14,025
Unreserved, reported in:						
General Fund	2,683,865					2,683,865
Designated for subsequent year appropriations	1,633,478					1,633,478
Community Preservation Fund		2,215,101				2,215,101
Designated for subsequent year appropriations		818,400				818,400
Other funds					1,882,040	1,882,040
Capital Projects			14,517,075	2,594,469		17,111,544
Total fund balances	<u>7,603,740</u>	<u>3,341,828</u>	<u>14,517,075</u>	<u>2,594,469</u>	<u>1,895,140</u>	<u>29,952,252</u>
Total liabilities and fund balances	<u>\$ 21,916,377</u>	<u>\$ 3,365,726</u>	<u>\$ 15,088,529</u>	<u>\$ 2,594,469</u>	<u>\$ 3,781,550</u>	<u>\$ 46,746,651</u>

(1) Extracted from the audited financial statements.

TOWN OF HANOVER, MASSACHUSETTS
Statement of Revenues, Expenditures and
Changes in Fund Balances (1)
As of June 30, 2011

	General	High School Capital Project	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 31,882,894	\$ -	\$ 731,904	\$ -	\$ 32,614,798
Excises	1,876,886	-	-	3,302	1,880,188
Penalties, interest and other taxes	396,230	-	-	-	396,230
Charges for services	540,805	-	-	2,324,718	2,865,523
Licenses and Permits	430,558	-	-	-	430,558
Fines and Forfeitures	92,812	-	-	3,450	96,262
Intergovernmental	14,200,066	12,184,055	243,120	2,244,181	28,871,422
Investment Income	81,869	-	11,882	81,572	175,323
Miscellaneous	343,318	-	-	23,509	366,827
Contributions	-	-	-	715,844	715,844
Total Revenues	<u>\$ 49,845,438</u>	<u>\$ 12,184,055</u>	<u>\$ 986,906</u>	<u>\$ 5,396,576</u>	<u>\$ 68,412,975</u>
EXPENDITURES:					
General Government	1,565,441	-	778,118	41,250	2,384,809
Public Safety	6,098,875	-	-	674,094	6,772,969
Education	29,415,688	26,170,307	-	3,599,286	59,185,281
Public Works	2,658,668	-	-	410,359	3,069,027
Health and Human Services	368,041	-	-	462,953	830,994
Culture and Recreation	570,903	-	1,458,107	337,758	2,366,768
Employee Benefits	5,999,765	-	-	-	5,999,765
Miscellaneous	-	-	-	18,781	18,781
Debt Service	3,983,299	-	227,469	28,870	4,239,638
Intergovernmental	538,830	-	-	-	538,830
Total Expenditures	<u>51,199,510</u>	<u>26,170,307</u>	<u>2,463,694</u>	<u>5,573,351</u>	<u>85,406,862</u>
Excess Revenues Over (Under)					
Expenditures	<u>(1,354,072)</u>	<u>(13,986,252)</u>	<u>(1,476,788)</u>	<u>(176,775)</u>	<u>(16,993,887)</u>
Other Financing Sources (Uses):					
Proceeds of bonds	-	-	-	259,543	259,543
Operating Transfers in	1,008,410	-	-	-	1,008,410
Operating Transfers (out)	-	-	-	(671,661)	(671,661)
Total Other Financing Sources (Uses)	<u>1,008,410</u>	<u>-</u>	<u>-</u>	<u>(412,118)</u>	<u>336,749</u>
Change in Fund Balance	<u>(345,662)</u>	<u>(13,986,252)</u>	<u>(1,476,788)</u>	<u>(588,893)</u>	<u>(16,657,138)</u>
Fund Balance - Beginning of Year, as restated					
Residual Equity Transfer	<u>8,717,853</u>	<u>7,522,024</u>	<u>2,283,977</u>	<u>2,849,079</u>	<u>21,372,933</u>
Fund Balance - End of Year	<u>\$ 8,372,191</u>	<u>\$ (6,464,228)</u>	<u>\$ 807,189</u>	<u>\$ 2,260,186</u>	<u>\$ 4,975,338</u>

(1) Extracted from the audited Financial Statements of the Town.

TOWN OF HANOVER, MASSACHUSETTS
Statement of Revenues, Expenditures and
Changes in Fund Balances (1)
As of June 30, 2010

	General	High School Capital Project	Community Preservation Fund	Senior Center Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Property Taxes	\$ 31,660,282	\$ -	\$ 728,010	\$ -	\$ -	\$ 32,388,292
Excises	1,817,405	-	-	-	2,518	1,819,923
Penalties, interest and other taxes	420,893	-	-	-	-	420,893
Charges for services	678,180	-	-	-	2,441,015	3,119,195
Licenses and Permits	419,004	-	-	-	-	419,004
Fines and Forfeitures	114,150	-	-	-	3,327	117,477
Intergovernmental	13,916,017	5,153,391	291,996	-	1,060,732	20,422,136
Investment Income	88,792	-	13,315	-	53,579	155,686
Miscellaneous	121,617	-	-	-	365,981	487,598
Contributions	-	-	-	-	768,601	768,601
Total Revenues	\$ 49,236,340	\$ 5,153,391	\$ 1,033,321	\$ -	\$ 4,695,753	\$ 60,118,805
EXPENDITURES:						
General Government	1,489,650	-	1,863,182	-	-	3,352,832
Public Safety	6,051,452	-	-	-	38,673	6,090,125
Education	29,213,890	12,148,442	-	-	3,143,683	44,506,015
Public Works	2,486,478	-	-	-	327,433	2,813,911
Health and Human Services	324,427	-	-	3,050,236	89,113	3,463,776
Culture and Recreation	568,503	-	-	-	279,620	848,123
Employee Benefits	5,364,250	-	-	-	-	5,364,250
Miscellaneous	-	-	-	-	59,155	59,155
Debt Service	3,809,864	-	223,295	-	-	4,033,159
Intergovernmental	510,815	-	-	-	-	510,815
Total Expenditures	49,819,329	12,148,442	2,086,477	3,050,236	3,937,677	71,042,161
Excess Revenues Over (Under)						
Expenditures	(582,989)	(6,995,051)	(1,053,156)	(3,050,236)	758,076	(10,923,356)
Other Financing Sources (Uses):						
Operating Transfers in	1,033,022	-	-	-	-	1,033,022
Operating Transfers (out)	-	-	(4,695)	-	(712,806)	(717,501)
Total Sources (Uses)	1,033,022	-	(4,695)	-	(712,806)	315,521
Change in Fund Balance	450,033	(6,995,051)	(1,057,851)	(3,050,236)	45,270	(10,607,835)
Fund Balance - Beginning of Year, as restated	\$ 8,267,820	\$ 14,517,075	\$ 3,342,828	\$ 2,679,514	\$ 3,174,531	\$ 31,980,768
Residual Equity Transfer						
Fund Balance - End of Year	\$ 8,717,853	\$ 7,522,024	\$ 2,284,977	\$ (370,722)	\$ 3,219,801	\$ 21,372,933

(1) Extracted from the Audited Financial Statements of the Town.

TOWN OF HANOVER, MASSACHUSETTS
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances (1)

	June 30		
	2007	2008	2009
REVENUES:			
Real & Personal Property Taxes	\$ 26,738,703	\$ 27,774,319	\$ 28,872,846
Motor Vehicle Excise Tax	1,940,493	2,098,104	1,939,572
Penalties and Interest	81,055	76,719	119,396
Investment Income	584,742	557,126	285,601
Intergovernmental	13,530,329	14,388,211	13,840,233
Licenses and Permits	585,616	497,282	434,450
Fines	126,899	125,766	98,651
Reimbursement of Allocated Costs	862,679	590,000	722,825
Departmental and Other	586,298	490,592	457,236
Miscellaneous	116,533	313,767	703,780
Total Revenues	\$ 45,153,347	\$ 46,911,886	\$ 47,474,590
EXPENDITURES:			
General Government	1,563,173	1,435,001	1,328,595
Human Services	418,656	482,619	316,141
Public Safety	5,073,287	5,455,076	6,000,378
Public Works	2,478,251	2,716,447	3,021,862
Community Development	-	208,288	14,524
Culture and Recreation	222,379	556,635	541,949
Education	21,877,162	22,895,066	24,016,250
Insurance	526,619	245,856	249,296
Pension and Fringe Benefits	8,756,401	9,635,357	9,326,279
Debt Service	2,406,270	2,503,726	2,776,224
Intergovernmental	423,521	451,578	489,791
Total Expenditures	43,745,719	46,585,649	48,081,289
Excess Revenues Over (Under)			
Expenditures	1,407,628	326,237	(606,699)
Other Financing Sources (Uses):			
Operating Transfers in	85,321	97,132	356,638
Operating Transfers (out)	(8,986)	(265,976)	-
Total Sources (Uses)	76,335	(168,844)	356,638
Excess Revenues and Sources Over (Under)			
Expenditures and Uses	1,483,963	157,393	(250,061)
Fund Balance - Beginning of Year	\$ 6,212,447	\$ 7,696,410	\$ 7,853,803
Residual Equity Transfer			
Fund Balance - End of Year	\$ 7,696,410	\$ 7,853,803	\$ 7,603,742

(1) Extracted from the Audited Financial Statements of the Town.

Undesignated General Fund Balances and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts, and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently called between July 1 and the following March 31 of any year.

The following table sets forth the trend in the Town's undesignated general fund balances and free cash:

<u>Year</u>	Undesignated General Fund Balance for Fiscal Year <u>Ending June 30 (1)</u>	Certified Free Cash for Fiscal Year <u>Beginning July 1</u>
2012 (est.)	\$2,600,000	\$2,200,000
2011	2,398,111	2,204,388
2010	5,068,505 (2)	2,394,387
2009	2,683,865	1,710,066
2008	2,596,515	1,546,768
2007	3,140,079	2,739,686

(1) Source: Audited Financial Statements.

(2) Stabilization Funds are included in the Undesignated General Fund Balance.

Stabilization Fund

The Town maintains a stabilization fund which is accounted for in the Trust Funds. The stabilization fund plus interest income may be used for purposes for which the Town can appropriate funds. Following are the balances of the stabilization fund as of the end of the fiscal years listed below.

<u>Fiscal Year</u>	<u>Stabilization Fund Balance</u>
2012	\$1,696,776
2011	1,686,158
2010	1,666,318
2009	1,657,418
2008	1,571,288

Tax Increment Financing for Development Districts

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

INDEBTEDNESS

Authorization Procedure and Limitations

Bonds and notes are generally authorized on behalf of the Town by vote of two-thirds of all the registered voters present and voting at an annual or special town meeting. Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of current revenues and certain state and county reimbursements are generally authorized by majority vote but provision is made for temporary loans in anticipation of federal grants and for other purposes in certain circumstances without town meeting authorization.

The general debt limit of the Town consists of a normal debt limit and a double debt limit. The normal debt limit is 5 per cent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with State administrative approval.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds and sewer bonds, and subject to special debt limits, bonds for water (limited to 10 per cent of equalized valuation), housing, and urban renewal and economic development (limited to 5 1/2 per cent). Industrial revenue bonds generally are not subject to these debt limits. The general debt limit and water debt limit apply at the time debt is authorized.

Types of Obligations

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

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

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

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

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the

second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may under the statute be refunded from time to time up to one year from the original date of issue. The Town of Hanover has not issued revenue anticipation notes during the current or any of the past five fiscal years.

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

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financial under the Commonwealth's Water Pollution Abatement Revolving Loan Program. In addition to general obligation bonds and notes, cities and towns, having electric light departments may issue revenue bonds, and notes in anticipation of revenue bonds, subject to the approval of the State Department of Public Utilities.

DIRECT DEBT SUMMARY
As of June 30, 2012 (1)

General Obligation Bonds:		
Sewer	\$ 34,500	
Water (2)	4,325,000	
Schools (3)	32,060,000	
MWPAT (4)	190,484	
General (5)	<u>15,290,500</u>	
Total Long Term Outstanding		<u>\$ 51,900,484</u>
Short Term Debt:		
Bond Anticipation Notes (6)	8,500,000	
Total Short Term Outstanding		<u>\$ 8,500,000</u>
Total Debt Outstanding		<u><u>\$ 60,400,484</u></u>

-
- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
 - (2) Supported by the water enterprise fund. \$3,800,000 is outside the Town's debt limit.
 - (3) \$30,915,000 is exempt from the provisions of Proposition 2 ½. As of June 30, 2012 the Town is expecting to receive \$7,997,238 in grant payments from the Massachusetts School Building Authority over the life of the School bonds for the Cedar Elementary, Center Elementary and Middle School.
 - (4) Does not reflect subsidy from MWPAT. \$76,084 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
 - (5) \$450,000 is outside the Town's debt limit. \$8,455,500 has been excluded from the provisions of Proposition 2 ½.
 - (6) To be renewed on September 14, 2012, payable September 13, 2013.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Assessed Valuation	Per Capita Debt	Debt as a% of Full Valuation
2012	\$51,900,484	13,879	\$2,253,595,960	\$3,739	2.30 %
2011	39,435,479	13,879	2,268,327,020	2,841	1.74
2010	42,560,205	13,879	2,369,061,032	3,067	1.80
2009	45,499,669	13,879	2,461,624,835	3,278	1.85
2008	28,043,921	13,879	2,621,704,145	2,021	1.07

Projected Principal Payments by Purpose

The following table sets forth the projected principal payments by purpose on outstanding Bonds of the Town.

GENERAL OBLIGATION BONDS AND SERIAL NOTES PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2012 (1)

Fiscal Year	Sewer	Water (2)	School (3)	MWPAT (4)	General (5)	Total	Cumulative Percentage Retired
2013	\$ 5,000	\$ 475,000	\$ 2,000,000	\$ 20,272	\$ 1,385,000	\$ 3,885,272	7.5 %
2014	5,000	475,000	2,035,000	20,872	1,355,000	3,890,872	15.0
2015	10,000	470,000	2,070,000	20,868	1,355,000	3,925,868	22.5
2016	10,000	425,000	2,110,000	20,868	1,315,000	3,880,868	30.0
2017	4,500	435,000	2,165,000	20,868	1,270,500	3,895,868	37.5
2018	-	290,000	2,175,000	20,868	1,045,000	3,530,868	44.3
2019	-	290,000	2,220,000	20,868	965,000	3,495,868	51.1
2020	-	290,000	2,280,000	10,000	960,000	3,540,000	57.9
2021	-	290,000	2,345,000	10,000	845,000	3,490,000	64.6
2022	-	285,000	1,305,000	10,000	795,000	2,395,000	69.2
2023	-	285,000	1,340,000	15,000	800,000	2,440,000	73.9
2024	-	285,000	1,380,000	-	805,000	2,470,000	78.7
2025	-	10,000	1,415,000	-	690,000	2,115,000	82.8
2026	-	10,000	1,460,000	-	575,000	2,045,000	86.7
2027	-	10,000	1,500,000	-	375,000	1,885,000	90.3
2028	-	-	1,505,000	-	295,000	1,800,000	93.8
2029	-	-	1,555,000	-	300,000	1,855,000	97.4
2030	-	-	400,000	-	70,000	470,000	98.3
2031	-	-	400,000	-	45,000	445,000	99.1
2032	-	-	400,000	-	45,000	445,000	100.0
Total	<u>\$ 34,500</u>	<u>\$ 4,325,000</u>	<u>\$ 32,060,000</u>	<u>\$ 190,484</u>	<u>\$ 15,290,500</u>	<u>\$ 51,900,484</u>	

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Supported by the water enterprise fund. \$3,800,000 is outside the Town's debt limit.

(3) \$30,915,000 is exempt from the provisions of Proposition 2 ½. As of June 30, 2012 the Town is expecting to receive \$7,997,238 in grant payments from the Massachusetts School Building Authority over the life of the School bonds for the Cedar Elementary, Center Elementary and Middle School.

(4) Does not reflect subsidy from MWPAT. \$76,084 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.

(5) \$450,000 is outside the Town's debt limit. \$8,455,500 has been excluded from the provisions of Proposition 2 ½.

Debt Service Requirements

The following table sets forth the required principal and interest payments on all general obligation debt of the Town.

GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2012

Fiscal Year	Outstanding (1)		SRF Subsidy	MSBA Subsidy	Total Net Debt Service
	Principal	Interest			
2013	\$3,885,272	\$1,961,245	(\$18,900)	(\$888,582)	\$4,939,035
2014	3,890,872	1,840,812	(8,464)	(888,582)	4,834,639
2015	3,925,868	1,729,941	(7,683)	(888,582)	4,759,543
2016	3,880,868	1,618,880	(6,934)	(888,582)	4,604,233
2017	3,895,868	1,454,101	(6,162)	(888,582)	4,455,225
2018	3,530,868	1,301,368	(5,489)	(888,582)	3,938,165
2019	3,495,868	1,159,075	(4,885)	(888,582)	3,761,476
2020	3,540,000	1,019,106	(4,249)	(888,582)	3,666,275
2021	3,490,000	878,242	(4,126)	(888,582)	3,475,534
2022	2,395,000	739,599	(4,028)	-	3,130,571
2023	2,440,000	633,036	(3,545)	-	3,069,491
2024	2,470,000	533,736	-	-	3,003,736
2025	2,115,000	441,486	-	-	2,556,486
2026	2,045,000	364,018	-	-	2,409,018
2027	1,885,000	285,918	-	-	2,170,918
2028	1,800,000	207,998	-	-	2,007,998
2029	1,855,000	132,710	-	-	1,987,710
2030	470,000	54,400	-	-	524,400
2031	445,000	35,600	-	-	480,600
2032	445,000	17,800	-	-	462,800
Total	<u>\$ 51,900,484</u>	<u>\$ 16,409,071</u>	<u>\$ (74,465)</u>	<u>\$ (7,997,238)</u>	<u>\$ 60,237,851</u>

(1) \$39,446,584 in principal and \$13,280,590 in interest is exempt from Proposition 2 ½.

Authorized Unissued Debt

Following the delivery of the Notes, the Town will have \$25,883,622 in authorized unissued debt for various projects. \$18,170,122 is for construction of a new High School, \$5,500,000 is for road paving and construction, \$1,600,000 is for school plans, \$309,500 is for remodeling and the balance for other various municipal purposes. The High School project has been approved by the Massachusetts School Building Authority for construction grants equal to approximately 48.2% of eligible project costs. The Town issued bonds and notes for \$31,000,000 for the project and has received approximately \$19,206,878 in grant payments to date.

Overlapping Debt

The Town of Hanover is located in Plymouth County and is a member of the South Shore Regional Vocational School District and the Massachusetts Bay Transportation Authority. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of each of the overlapping entities the Town of Hanover's estimated gross share of such debt, and the fiscal 2013 dollar assessment for each.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>Hanover's Estimated Share (1)</u>	<u>Fiscal 2013 Dollar Assessment (2)</u>
Plymouth County (3)	\$3,300,000	3.62 %	\$47,658
South Shore Regional Vocational School District (4)	1,390,000	11.71	849,103
Massachusetts Bay Transportation Authority (5)	5,769,214,580	0.2075	90,148

- (1) Estimated share based on debt service only.
- (2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
- (3) SOURCE: County Treasurer. Debt as of June 30, 2012. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. (The expenses of Suffolk County are borne by the City of Boston alone.) Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex county) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.
- (4) SOURCE: Regional School District. Debt as of June 30, 2012. Assessment is for Fiscal Year 2013. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993.
- (5) SOURCE: M.B.T.A. Debt as of June 30, 2012. The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

CONTRACTUAL OBLIGATIONS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

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

The Town of Hanover has a limited number of contractual obligations. The most significant of these is a contract with Cassella. The Town budgeted \$384,230 for fiscal 2013. The contract expires on June 30, 2015.

RETIREMENT PLAN

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain

conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

The Town participates in the contributory retirement system of Plymouth County that is partially funded by employee contributions. The Town meets its share of retirement systems costs on a pay-as-you-go basis by contributing annually the amounts determined by the State Commissioner of Public Employee Retirement. Such amounts are legal obligations of the municipality and are required to be included in its annual tax levy. The retirement systems cover substantially all municipal employees except schoolteachers, whose pensions are paid by the Commonwealth. The trend in annual required contributions of the Town to the retirement system is as follows:

<u>Year Ending</u>	<u>Contributory</u>
June 30, 2013 (Budget)	\$ 2,377,229
June 30, 2012	2,061,153
June 30, 2011	2,055,177
June 30, 2010	1,812,398
June 30, 2009	1,790,119
June 30, 2008	1,672,641

The Town's share of the estimated unfunded actuarial accrued liability for Plymouth County Retirement System as of January 1, 2010 was approximately \$19,880,176. The Town's 2010 contribution represented 4.3% of total contributions required of all participating entities.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities and towns is generally provided on a pay-as-you-go basis. The following is a five year history of the Town's pay-as-you cost:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 900,000
2011	820,000
2010	599,545
2009	650,530
2008	663,049

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to

employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town of Hanover participates in a cost-sharing multiple employer plan, the Mayflower Municipal Health Group. The Health Group has not conducted the required actuarial valuation. The Town performed an actuarial study as of January 1, 2011 that estimated the unfunded liability at approximately \$47.8 million with an annual required contribution (ARC) of approximately \$4.2 million (using a 4.25% earnings assumption). The Town voted to fund the OPEB liability trust fund with meals tax receipts which are expected to amount to approximately \$250,000 per year.

EMPLOYEE RELATIONS

The Town employs approximately 900 full-time, part-time, seasonal, and temporary workers, of whom 400 are employed by the School Department, 25 by the Fire Department, 43 by the Police Department and the balance by the other various departments of the Town. Town and school employees (other than managerial employees and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 494 employees are represented by nine unions, four are which are town and five of which are school. The Teachers contract expired on June 30, 2012 and is currently in negotiations. Three school contracts and Police contract expire on June 30, 2013. The Fire, Town Clerical and Public Works contracts expire on June 30, 2014.

LITIGATION

At present there are several cases pending in various courts throughout the Commonwealth where the Town of Hanover is a defendant. In the opinion of the Town, there is no pending or threatened litigation against the Town that is likely to result, either individually or in the aggregate, in final judgment against the Town that would materially affect its financial position.

TOWN OF HANOVER, MASSACHUSETTS
/s/ Jennifer Petit, Finance Director

August 21, 2012

TOWN OF HANOVER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

10 New England Business Center Drive • Suite 107

Andover, MA 01810-1096

(978) 749-0005 • Fax (978) 749-0006

www.melansonheath.com

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hanover, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Hanover's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

The management's discussion and analysis appearing on the following pages and the supplementary information appearing on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Andover, Massachusetts
March 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hanover, we offer readers this narrative overview and analysis of the financial activities of the Town of Hanover for the fiscal year ended June 30, 2011.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include water activities.

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

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

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations, which is considered to be a major fund.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 69,521,844 (i.e., net assets), a change of \$ (1,244,970) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 4,975,338, a change of \$ (16,397,595) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 2,398,111, a change of \$ (1,004,075) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 39,435,479, a change of \$ (3,124,726) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 45,097	\$ 56,679	\$ 2,891	\$ 2,318	\$ 47,988	\$ 58,997
Capital assets	86,398	58,302	10,429	10,802	96,827	69,104
Total assets	<u>131,495</u>	<u>114,981</u>	<u>13,320</u>	<u>13,120</u>	<u>144,815</u>	<u>128,101</u>
Long-term liabilities outstanding	43,089	43,192	5,013	5,434	48,102	48,626
Other liabilities	25,752	7,715	1,440	993	27,192	8,708
Total liabilities	<u>68,841</u>	<u>50,907</u>	<u>6,453</u>	<u>6,427</u>	<u>75,294</u>	<u>57,334</u>
Net assets:						
Invested in capital assets, net	50,490	46,962	5,425	5,224	55,915	52,186
Restricted	4,235	5,293	-	-	4,235	5,293
Unrestricted	7,929	11,819	1,442	1,469	9,371	13,288
Total net assets	<u>\$ 62,654</u>	<u>\$ 64,074</u>	<u>\$ 6,867</u>	<u>\$ 6,693</u>	<u>\$ 69,521</u>	<u>\$ 70,767</u>

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,375	\$ 3,612	\$ 3,367	\$ 3,078	\$ 6,742	\$ 6,690
Operating grants and contributions	13,804	12,911	-	-	13,804	12,911
Capital grants and contributions	539	100	-	-	539	100
General revenues:						
Property taxes	32,582	32,039	-	-	32,582	32,039
Excises	1,904	1,777	-	-	1,904	1,777
Penalties and interest on taxes	396	421	-	-	396	421
Grants and contributions not restricted to specific programs	2,083	2,090	1	-	2,084	2,090
Investment income	435	156	-	-	435	156
Other	367	488	-	-	367	488
Total revenues	<u>55,485</u>	<u>53,594</u>	<u>3,368</u>	<u>3,078</u>	<u>58,853</u>	<u>56,672</u>
Expenses:						
General government	1,789	2,099	-	-	1,789	2,099
Public safety	6,423	6,841	-	-	6,423	6,841
Education	33,574	32,466	-	-	33,574	32,466
Public works	2,866	3,499	-	-	2,866	3,499
Human services	422	605	-	-	422	605
Culture and recreation	1,102	1,047	-	-	1,102	1,047
Employee benefits	8,861	6,467	-	-	8,861	6,467
Interest on long-term debt	1,662	1,589	-	-	1,662	1,589
Intergovernmental	539	511	-	-	539	511
Miscellaneous	18	34	-	-	18	34
Water	-	-	2,857	3,214	2,857	3,214
Total expenses	<u>57,256</u>	<u>55,158</u>	<u>2,857</u>	<u>3,214</u>	<u>60,113</u>	<u>58,372</u>
Change in net assets before transfers	(1,771)	(1,564)	511	(136)	(1,260)	(1,700)
Transfers in (out)	337	316	(337)	(316)	-	-
Permanent fund contributions	14	-	-	-	14	-
Change in net assets	(1,420)	(1,248)	174	(452)	(1,246)	(1,700)
Net assets - beginning of	<u>64,074</u>	<u>65,322</u>	<u>6,693</u>	<u>7,145</u>	<u>70,767</u>	<u>72,467</u>
Net assets - end of year	<u>\$ 62,654</u>	<u>\$ 64,074</u>	<u>\$ 6,867</u>	<u>\$ 6,693</u>	<u>\$ 69,521</u>	<u>\$ 70,767</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 69,521,844, a change of \$ (1,244,970) from the prior year.

The largest portion of net assets \$ 55,915,361 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 4,235,397 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 9,371,086 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (1,419,563). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (345,662)
High school capital project fund - accrual basis	59,999
Community preservation fund - accrual basis	531,319
Nonmajor funds - accrual basis	612,639
Principal debt service in excess of depreciation expense	836,173
Change in accrued other post-employment benefits	(2,861,395)
Other	<u>(252,636)</u>
Total	<u>\$ (1,419,563)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 174,593. Key elements of this change are as follows:

Water operations	\$ <u>174,593</u>
Total	<u>\$ 174,593</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 4,975,338, a change of \$ (16,397,595) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (345,662)
High school capital project expenditures	(26,110,307)
MSBA proceeds	12,124,055
Community preservation fund expenditures over revenue	(1,476,788)
Nonmajor funds expenditures over revenue	<u>(588,893)</u>
Total	<u>\$ (16,397,595)</u>

In fiscal year 2011, the Town implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the notes to the financial statements. Additionally, amounts previously reported in stabilization funds, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 2,398,111, while total fund balance was \$ 8,372,191. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 2,398,111	\$ 3,402,186	\$ (1,004,075)	5%
Total fund balance	8,372,191	8,717,853	(345,662)	16%

¹In the prior year, stabilization was reflected as unassigned. It is now reflected as committed to conform to current presentation.

The total fund balance of the general fund changed by \$ (345,662) during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 761,190
Appropriation turnbacks by departments	1,107,021
Property tax collections shortfall	(58,318)
Prior year encumbrances to be spent in the current year over current year encumbrances to be spent in the subsequent year	(198,962)
Use of free cash as a funding source	(1,710,066)
Change in stabilization	10,434
Other	<u>(256,961)</u>
Total	<u>\$ (345,662)</u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
General stabilization	\$ <u>1,676,753</u>	\$ <u>1,666,319</u>	\$ <u>10,434</u>
Total	\$ <u>1,676,753</u>	\$ <u>1,666,319</u>	\$ <u>10,434</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 1,442,053, a change of \$ (27,129) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 96,827,997 (net of accumulated depreciation), a change of \$ 27,723,299 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Addition to the High School construction in progress of \$ 26,170,307

Additional information on capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 39,435,479, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Hanover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Finance Director
Town of Hanover, Massachusetts
550 Hanover Street
Hanover, MA 02339

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 13,898,606	\$ 1,826,455	\$ 15,725,061
Investments	13,820,978	-	13,820,978
Receivables, net of allowance for uncollectibles:			
Property taxes	531,968	-	531,968
Excises	108,975	-	108,975
User fees	-	1,065,444	1,065,444
Departmental and other	1,379,015	-	1,379,015
Intergovernmental	6,155,094	-	6,155,094
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	317,714	-	317,714
Intergovernmental	8,883,612	-	8,883,612
Capital Assets:			
Land and construction in progress	54,550,293	977,779	55,528,072
Other assets, net of accumulated depreciation	<u>31,848,849</u>	<u>9,451,076</u>	<u>41,299,925</u>
TOTAL ASSETS	131,495,104	13,320,754	144,815,858
LIABILITIES			
Current:			
Warrants payable	2,356,634	100,182	2,456,816
Accounts payable	29,051	-	29,051
Accrued liabilities	398,871	19,024	417,895
Tax refunds payable	259,242	-	259,242
Notes payable	18,590,000	750,000	19,340,000
Other current liabilities	1,329,263	-	1,329,263
Current portion of long-term liabilities:			
Bonds payable	2,605,872	564,123	3,169,995
Compensated absence	144,791	6,907	151,698
Bond premium	36,862	-	36,862
Noncurrent:			
Bonds payable, net of current portion	31,826,084	4,439,400	36,265,484
Compensated absence	2,751,024	131,230	2,882,254
Bond premium	366,530	-	366,530
Accrued other post-employment benefits	<u>8,146,421</u>	<u>442,503</u>	<u>8,588,924</u>
TOTAL LIABILITIES	68,840,645	6,453,369	75,294,014
NET ASSETS			
Invested in capital assets, net of related debt	50,490,029	5,425,332	55,915,361
Restricted for:			
Grants and other statutory restrictions	3,536,579	-	3,536,579
Permanent funds:			
Nonexpendable	166,960	-	166,960
Expendable	531,858	-	531,858
Unrestricted	<u>7,929,033</u>	<u>1,442,053</u>	<u>9,371,086</u>
TOTAL NET ASSETS	\$ <u>62,654,459</u>	\$ <u>6,867,385</u>	\$ <u>69,521,844</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues				Business-Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental Activities:							
General government	\$ 1,788,776	\$ 737,898	\$ -	\$ 243,120	\$ (807,758)	\$ -	\$ (807,758)
Public safety	6,423,023	974,912	15,962	-	(5,432,149)	-	(5,432,149)
Education	33,573,927	1,391,993	13,616,168	-	(18,565,766)	-	(18,565,766)
Public works	2,866,080	173,022	38,057	296,231	(2,358,770)	-	(2,358,770)
Health and human services	422,130	68	29,756	-	(392,306)	-	(392,306)
Culture and recreation	1,102,114	97,204	103,818	-	(901,092)	-	(901,092)
Employee benefits	8,861,160	-	-	-	(8,861,160)	-	(8,861,160)
Interest	1,661,733	-	-	-	(1,661,733)	-	(1,661,733)
Intergovernmental	538,830	-	-	-	(538,830)	-	(538,830)
Miscellaneous	18,782	-	-	-	(18,782)	-	(18,782)
Total Governmental Activities	57,256,555	3,375,097	13,803,761	539,351	(39,538,346)	-	(39,538,346)
Business-Type Activities:							
Water services	2,857,070	3,366,934	-	-	-	509,864	509,864
Total Business-Type Activities	2,857,070	3,366,934	-	-	-	509,864	509,864
Total	\$ 60,113,625	\$ 6,742,031	\$ 13,803,761	\$ 539,351	(39,538,346)	509,864	(39,028,482)
General Revenues and Transfers:							
Property taxes					32,582,454	-	32,582,454
Excises					1,904,113	-	1,904,113
Penalties, interest and other taxes					396,230	-	396,230
Grants and contributions not restricted to specific programs					2,083,166	1,478	2,084,644
Investment income					434,866	-	434,866
Miscellaneous					366,826	-	366,826
Transfers, net					336,749	(336,749)	-
Permanent fund contributions					14,379	-	14,379
Total general revenues and transfers					38,118,783	(335,271)	37,783,512
Change in Net Assets					(1,419,563)	174,593	(1,244,970)
Net Assets:							
Beginning of year					64,074,022	6,692,792	70,766,814
End of year					\$ 62,654,459	\$ 6,867,385	\$ 69,521,844

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>High School Capital Project Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 6,292,950	\$ -	\$ 3,951,842	\$ 3,653,814	\$ 13,898,606
Investments	4,443,941	8,948,398	-	428,639	13,820,978
Receivables:					
Property taxes	973,973	-	-	-	973,973
Excises	177,381	-	-	6,461	183,842
Departmental and other	-	-	9,721	1,737,088	1,746,809
Due from other governments	-	6,155,094	-	-	6,155,094
TOTAL ASSETS	<u>\$ 11,888,245</u>	<u>\$ 15,103,492</u>	<u>\$ 3,961,563</u>	<u>\$ 5,826,002</u>	<u>\$ 36,779,302</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 780,491	\$ 1,412,626	\$ 44,653	\$ 118,864	\$ 2,356,634
Accounts payable	29,051	-	-	-	29,051
Accrued liabilities	256,961	-	-	-	256,961
Deferred revenues	1,074,448	6,155,094	9,721	1,743,549	8,982,812
Deposits held in custody	-	-	-	213,403	213,403
Tax refunds payable	259,242	-	-	-	259,242
Notes payable	-	14,000,000	3,100,000	1,490,000	18,590,000
Other liabilities	1,115,861	-	-	-	1,115,861
TOTAL LIABILITIES	3,516,054	21,567,720	3,154,374	3,565,816	31,803,964
Fund Balances:					
Nonspendable	-	-	-	166,960	166,960
Restricted	603,887	-	-	3,436,499	4,040,386
Committed	2,701,035	-	807,189	-	3,508,224
Assigned	2,669,158	-	-	-	2,669,158
Unassigned	2,398,111	(6,464,228)	-	(1,343,273)	(5,409,390)
TOTAL FUND BALANCES	<u>8,372,191</u>	<u>(6,464,228)</u>	<u>807,189</u>	<u>2,260,186</u>	<u>4,975,338</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,888,245</u>	<u>\$ 15,103,492</u>	<u>\$ 3,961,563</u>	<u>\$ 5,826,002</u>	<u>\$ 36,779,302</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Total governmental fund balances	\$ 4,975,338
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,399,142
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	8,415,860
<ul style="list-style-type: none">• Noncurrent assets, including MSBA reimbursements for contracted assistance projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	8,883,612
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(141,909)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(45,877,584)</u>
Net assets of governmental activities	<u>\$ 62,654,459</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General	High School Capital Project	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 31,882,894	\$ -	\$ 731,904	\$ -	\$ 32,614,798
Excises	1,876,886	-	-	3,302	1,880,188
Penalties, interest, and other taxes	396,230	-	-	-	396,230
Charges for services	540,805	-	-	2,324,718	2,865,523
Licenses and permits	430,558	-	-	-	430,558
Fines and forfeitures	92,812	-	-	3,450	96,262
Intergovernmental	14,200,066	12,184,055	243,120	2,244,181	28,871,422
Investment income	81,869	-	11,882	81,572	175,323
Miscellaneous	343,318	-	-	23,509	366,827
Contributions	-	-	-	715,844	715,844
Total Revenues	49,845,438	12,184,055	986,906	5,396,576	68,412,975
Expenditures:					
Current:					
General government	1,565,441	-	778,118	41,250	2,384,809
Public safety	6,098,875	-	-	674,094	6,772,969
Education	29,415,688	26,170,307	-	3,599,286	59,185,281
Public works	2,658,668	-	-	410,359	3,069,027
Health and human services	368,041	-	-	462,953	830,994
Culture and recreation	570,903	-	1,458,107	337,758	2,366,768
Employee benefits	5,999,765	-	-	-	5,999,765
Miscellaneous	-	-	-	18,781	18,781
Debt service	3,983,299	-	227,469	28,870	4,239,638
Intergovernmental	538,830	-	-	-	538,830
Total Expenditures	51,199,510	26,170,307	2,463,694	5,573,351	85,406,862
Excess (deficiency) of revenues over expenditures	(1,354,072)	(13,986,252)	(1,476,788)	(176,775)	(16,993,887)
Other Financing Sources (Uses):					
Proceeds of bonds	-	-	-	259,543	259,543
Transfers in	1,008,410	-	-	-	1,008,410
Transfers out	-	-	-	(671,661)	(671,661)
Total Other Financing Sources (Uses)	1,008,410	-	-	(412,118)	596,292
Change in fund balance	(345,662)	(13,986,252)	(1,476,788)	(588,893)	(16,397,595)
Fund Equity, at Beginning of Year, as restated	8,717,853	7,522,024	2,283,977	2,849,079	21,372,933
Fund Equity, at End of Year	\$ 8,372,191	\$ (6,464,228)	\$ 807,189	\$ 2,260,186	\$ 4,975,338

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (16,397,595)												
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">29,810,130</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,713,399)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. (12,283,692) • Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. (888,582) • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">2,549,572</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">37,877</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (9,543) • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">337,064</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;"><u>(2,861,395)</u></td> </tr> </table> 		Capital outlay purchases	29,810,130	Depreciation	(1,713,399)	Repayments of debt	2,549,572	Amortization of bond premium	37,877	Compensated absences	337,064	Net OPEB obligation	<u>(2,861,395)</u>
Capital outlay purchases	29,810,130												
Depreciation	(1,713,399)												
Repayments of debt	2,549,572												
Amortization of bond premium	37,877												
Compensated absences	337,064												
Net OPEB obligation	<u>(2,861,395)</u>												
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(1,419,563)</u>												

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 31,941,212	\$ 31,941,212	\$ 31,941,212	\$ -
Excises	1,576,000	1,576,000	1,876,886	300,886
Penalties, interest, and other taxes	190,000	190,000	396,230	206,230
Charges for services	450,000	450,000	540,805	90,805
Licenses and permits	300,000	300,000	430,558	130,558
Fines and forfeitures	50,000	50,000	92,812	42,812
Intergovernmental	8,785,067	8,785,067	8,909,042	123,975
Investment income	50,000	50,000	71,435	21,435
Other revenues	498,829	498,829	343,318	(155,511)
Other financing sources:				
Transfers in	1,008,410	1,008,410	1,008,410	-
Use of fund balance	1,710,066	1,710,066	1,710,066	-
Total Revenues	46,559,584	46,559,584	47,320,774	761,190
Expenditures and other uses:				
Current:				
General government	1,658,007	1,658,007	1,562,441	95,566
Public safety	6,275,075	6,275,075	6,071,939	203,136
Education	24,037,089	24,037,089	24,013,510	23,579
Public works	2,742,820	2,742,820	2,614,885	127,935
Health and human services	378,210	378,210	366,959	11,251
Culture and recreation	576,984	576,984	569,884	7,100
Employee benefits	6,529,914	6,529,914	5,987,777	542,137
Debt service	3,838,918	3,838,918	3,726,338	112,580
Intergovernmental	522,567	522,567	538,830	(16,263)
Total Expenditures	46,559,584	46,559,584	45,452,563	1,107,021
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,868,211	\$ 1,868,211

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities <u>Enterprise Funds</u>
	Water <u>Fund</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 1,826,455
User fees, net of allowance for uncollectibles	<u>1,065,444</u>
Total current assets	2,891,899
Noncurrent:	
Capital Assets:	
Land and construction in progress	977,779
Other assets, net of accumulated depreciation	<u>9,451,076</u>
Total noncurrent assets	<u>10,428,855</u>
TOTAL ASSETS	13,320,754
<u>LIABILITIES</u>	
Current:	
Warrants payable	100,182
Accrued liabilities	19,024
Notes payable	750,000
Current portion of long-term liabilities:	
Bonds payable	564,123
Compensated absence	<u>6,907</u>
Total current liabilities	1,440,236
Noncurrent:	
Bonds payable, net of current portion	4,439,400
Compensated absence, net of current portion	131,230
Net OPEB obligation	<u>442,503</u>
Total noncurrent liabilities	<u>5,013,133</u>
TOTAL LIABILITIES	6,453,369
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,425,332
Unrestricted	<u>1,442,053</u>
TOTAL NET ASSETS	\$ <u>6,867,385</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds
	Water Fund
Operating Revenues:	
Charges for services	\$ 3,340,634
Other	<u>10,096</u>
Total Operating Revenues	3,350,730
Operating Expenses:	
Operating expenses	2,162,005
Depreciation	373,432
Employee benefits	<u>142,713</u>
Total Operating Expenses	<u>2,678,150</u>
Operating Income (Loss)	672,580
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	1,478
Investment income	16,204
Interest expense	<u>(178,920)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(161,238)</u>
Income (Loss) Before Transfers	511,342
Transfers:	
Transfers out	<u>(336,749)</u>
Change in Net Assets	174,593
Net Assets at Beginning of Year	<u>6,692,792</u>
Net Assets at End of Year	<u>\$ 6,867,385</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities <u>Enterprise Funds</u>
	Water <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,429,744
Payments to vendors and employees	<u>(2,153,484)</u>
Net Cash Provided By Operating Activities	1,276,260
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers out	<u>(336,749)</u>
Net Cash (Used For) Noncapital Financing Activities	(336,749)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Proceeds from issuance of bonds and notes	450,000
Principal payments on bonds and notes	(575,154)
Interest expense	(178,920)
Intergovernmental subsidy	<u>1,478</u>
Net Cash (Used For) Capital and Related Financing Activities	(302,596)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>16,204</u>
Net Cash Provided By Investing Activities	<u>16,204</u>
Net Change in Cash and Short-Term Investments	653,119
Cash and Short-Term Investments, Beginning of Year	<u>1,173,336</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,826,455</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 672,580
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	373,432
Changes in assets and liabilities:	
User fees	79,099
Warrants and accounts payable	60,473
Accrued liabilities	(51,953)
Other liabilities	(85)
Compensated absences	(21,629)
Accrued other post-employment	<u>164,343</u>
Net Cash Provided By Operating Activities	<u>\$ 1,276,260</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 53,893	\$ 668,070
Total Assets	53,893	668,070
<u>LIABILITIES AND NET ASSETS</u>		
Warrants payable	-	4,967
Escrow deposits	-	663,103
Total Liabilities	-	668,070
<u>NET ASSETS</u>		
Net assets	\$ 53,893	\$ -

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income (Loss):	
Increase (decrease) in fair value of investments	\$ 28
Net investment income (loss)	<u>28</u>
Total additions	28
Deductions:	
Other	<u>4,233</u>
Total deductions	<u>4,233</u>
Net increase (decrease)	(4,205)
Net assets:	
Beginning of year	<u>58,098</u>
End of year	<u>\$ 53,893</u>

See notes to financial statements.

TOWN OF HANOVER, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hanover (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental

funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The High School Construction Fund reports activities related to the construction of a new high school whose costs are funded in part by

the Massachusetts School Building Authority and through long-term debt.

- The Community Preservation Fund reports all open space, historic resources, and community housing activities whose costs are principally funded through Community Preservation Act revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Water Enterprise Fund

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under

the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2011 tax levy reflected an excess capacity of \$ 29,490.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase

of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	40 - 50
Vehicles	5 - 15
Office equipment	5 - 10
Computer equipment	5 - 10

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., continuing appropriations, stabilization, and the community preservation funds).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Advisory Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Advisory Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 49,845,438	\$ 51,199,510
Other financing sources/uses (GAAP basis)	<u>1,008,410</u>	<u>-</u>
Subtotal (GAAP Basis)	50,853,848	51,199,510
Adjust tax revenue to accrual basis	58,318	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,498,012)
Add end-of-year appropriation carryforwards from expenditures	-	1,299,050
To record use of free cash	1,710,066	-
To remove unbudgeted stabilization fund	(10,434)	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,291,024)	(5,291,024)
Other timing issues	<u>-</u>	<u>(256,961)</u>
Budgetary basis	<u>\$ 47,320,774</u>	<u>\$ 45,452,563</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2011:

FY11 Traffic enforcement	\$ (959)
ECC FY11 911 Grant training	(3,359)
Extended OPP - Cedar AS Enrichment	(1,045)
Fire Engine ATM A21/10	(449,945)
Financial software ATM A22/10	(15,075)
Senior center construction ATM A34/08	(872,890)
High school capital project	<u>(6,464,228)</u>
	<u>\$ (7,807,501)</u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2011, \$ 5,604 of the Town's bank balance of \$ 17,382,731 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
				<u>Aaa</u>	<u>Aa</u>
Certificates of deposits	\$ 11,693		\$ -	\$ 11,693	\$ -
Corporate bonds	103		-	-	103
Mutual funds	1,555	N/A	1,555	-	-
Federal agency securities	<u>470</u>		<u>-</u>	<u>470</u>	<u>-</u>
Total investments	\$ <u>13,821</u>		\$ <u>1,555</u>	\$ <u>12,163</u>	\$ <u>103</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are exposed to custodial credit risk because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC, excess SIPC, and by maintaining investments in the Town's name.

C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Certificates of deposit	\$ 11,693	\$ 11,064	\$ 629	\$ -
Corporate bonds	103	-	103	-
Federal agency securities	470	-	420	50
Total	\$ <u>12,266</u>	\$ <u>11,064</u>	\$ <u>1,152</u>	\$ <u>50</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they

are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2011 consist of the following (in thousands):

Real Estate		
2011	\$ 328	
2010	71	
2009	43	
2008	3	
Prior	<u>3</u>	
		448
Personal Property		
2011	13	
2010	13	
2009	1	
2008	<u>1</u>	
		28
Tax Liens		353
Deferred Taxes		<u>145</u>
Total		<u>\$ 974</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 124	\$ -
Excises	\$ 75	\$ -
Utilities	\$ -	\$ 73
Other	\$ 368	\$ -

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2011.

8. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 43,064	\$ 421	\$ -	\$ 43,485
Machinery, equipment, and furnishings	2,951	146	-	3,097
Vehicles	5,570	449	-	6,019
Infrastructure	21,035	615	-	21,650
Total capital assets, being depreciated	72,620	1,631	-	74,251
Less accumulated depreciation for:				
Buildings and improvements	(19,973)	(983)	-	(20,956)
Machinery, equipment, and furnishings	(1,425)	(153)	-	(1,578)
Vehicles	(5,194)	(176)	-	(5,370)
Infrastructure	(14,098)	(401)	-	(14,499)
Total accumulated depreciation	(40,690)	(1,713)	-	(42,403)
Total capital assets, being depreciated, net	31,930	(82)	-	31,848
Capital assets, not being depreciated:				
Land	9,041	550	-	9,591
Construction in progress	17,331	27,628	-	44,959
Total capital assets, not being depreciated	26,372	28,178	-	54,550
Governmental activities capital assets, net	\$ 58,302	\$ 28,096	\$ -	\$ 86,398

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,415	\$ -	\$ -	\$ 6,415
Infrastructure	<u>11,315</u>	<u>-</u>	<u>-</u>	<u>11,315</u>
Total capital assets, being depreciated	17,730	-	-	17,730
Less accumulated depreciation for:				
Buildings and improvements	(1,287)	(145)	-	(1,432)
Other	<u>(6,618)</u>	<u>(228)</u>	<u>-</u>	<u>(6,846)</u>
Total accumulated depreciation	<u>(7,905)</u>	<u>(373)</u>	<u>-</u>	<u>(8,278)</u>
Total capital assets, being depreciated, net	9,825	(373)	-	9,452
Capital assets, not being depreciated:				
Land	<u>977</u>	<u>-</u>	<u>-</u>	<u>977</u>
Total capital assets, not being depreciated	<u>977</u>	<u>-</u>	<u>-</u>	<u>977</u>
Business-type activities capital assets, net	<u>\$ 10,802</u>	<u>\$ (373)</u>	<u>\$ -</u>	<u>\$ 10,429</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 15
Public safety	311
Education	631
Public works	548
Health and human services	13
Culture and recreation	<u>195</u>
Total depreciation expense - governmental activities	<u>\$ 1,713</u>
Business-Type Activities:	
Water	<u>\$ 373</u>
Total depreciation expense - business-type activities	<u>\$ 373</u>

9. Warrants and Accounts Payable

Warrants payable represent 2011 expenditures paid by July 15, 2011.
Accounts payable represent 2011 expenditures paid after July 15, 2011.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

11. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2011:

	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/11</u>
Bond anticipation	1.75%	09/15/10	09/15/11	\$ 1,500,000
Bond anticipation	1.75%	09/15/10	09/15/11	940,000
Bond anticipation	1.75%	09/15/10	09/15/11	14,000,000
Bond anticipation	1.75%	09/15/10	09/15/11	450,000
Bond anticipation	1.75%	09/15/10	09/15/11	100,000
Bond anticipation	1.75%	09/15/10	09/15/11	1,600,000
Bond anticipation	1.75%	09/15/10	09/15/11	750,000
Total				<u>\$ 19,340,000</u>

The following summarizes activity in notes payable during fiscal year 2011:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
	\$ 2,740,000	\$ 16,600,000	\$ -	\$ 19,340,000
Total	<u>\$ 2,740,000</u>	<u>\$ 16,600,000</u>	<u>\$ -</u>	<u>\$ 19,340,000</u>

13. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Governmental Activities:</u>			
General purpose refunding	5/15/17	2.00%	\$ 59,900
General purpose refunding	5/15/18	2.00%	215,000
General purpose	6/15/12	3.00-3.85%	40,000
Police station construction refunding	5/15/17	2.00%	1,015,500
General purpose	6/15/19	3.25-4.50%	90,000
General purpose	8/15/16	4.00%	600,000
General purpose	5/15/27	3.25-4.00%	2,705,000
General purpose	5/15/29	3.00%	18,585,000
School reconstruction refunding	5/15/21	4.50%	9,374,600
Library reconstruction refunding	5/15/21	4.50%	1,155,000
Septic betterment	8/1/18	0.00%	86,956
Landfill closure refunding	5/15/18	2.00%	505,000
Total Governmental Activities:			<u>\$ 34,431,956</u>
	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/11
<u>Business-Type Activities:</u>			
Stormwater management	08/01/22	3.00%	\$ 123,523
Well and mains refunding	05/15/15	2.00%	75,000
Plant design and mains	06/15/12	3.00-3.88%	110,000
Plant construction and mains	06/15/24	3.25-4.80%	3,625,000
Water building and mains	08/15/16	4.00%	825,000
Plant and mains	05/15/27	3.25-4.00%	245,000
Total Business-Type Activities:			<u>\$ 5,003,523</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,605,872	\$ 1,229,826	\$ 3,835,698
2013	2,380,872	1,159,924	3,540,796
2014	2,390,872	1,099,586	3,490,458
2015	2,435,868	1,038,840	3,474,708
2016	2,465,868	977,224	3,443,092
2017 - 2021	11,647,604	3,429,764	15,077,368
2022 - 2026	6,430,000	1,653,950	8,083,950
2027 - 2031	4,075,000	346,628	4,421,628
Total	\$ 34,431,956	\$ 10,935,742	\$ 45,367,698

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 564,123	\$ 205,645	\$ 769,768
2013	484,400	183,347	667,747
2014	485,000	164,677	649,677
2015	480,000	146,051	626,051
2016	435,000	127,684	562,684
2017 - 2021	1,645,000	407,035	2,052,035
2022 - 2026	900,000	86,240	986,240
2027 - 2031	10,000	400	10,400
Total	\$ 5,003,523	\$ 1,321,079	\$ 6,324,602

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>	<u>Less</u>	<u>Equals</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
	<u>7/1/10</u>			<u>6/30/11</u>	<u>Portion</u>	<u>Portion</u>
						<u>6/30/11</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 36,981	\$ -	\$ (2,549)	\$ 34,432	\$ (2,606)	\$ 31,826
Other:						
Compensated absences	3,233	-	(337)	2,896	(145)	2,751
Bond premium	441	-	(38)	403	(37)	366
Accrued other post-employment benefits	5,286	2,860	-	8,146	-	8,146
Totals	\$ 45,941	\$ 2,860	\$ (2,924)	\$ 45,877	\$ (2,788)	\$ 43,089
<u>Business-Type Activities</u>						
Bonds payable	\$ 5,579	\$ -	\$ (576)	\$ 5,003	\$ (564)	\$ 4,439
Other:						
Compensated absences	160	-	(22)	138	(7)	131
Accrued other post-employment benefits	278	165	-	443	-	443
Totals	\$ 6,017	\$ 165	\$ (598)	\$ 5,584	\$ (571)	\$ 5,013

14. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

15. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 2,398,111
Tax refund estimate	<u>259,242</u>
Statutory (UMAS) Balance	<u>\$ 2,657,353</u>

16. Subsequent Events

Debt

Subsequent to June 30, 2011, the Town has incurred the following debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Bond	\$ 15,635,000	2.87%	09/07/11	05/15/32
Bond anticipation note	\$ 6,000,000	1.00%	09/15/11	09/15/12

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

18. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2011, the actuarial valuation date, approximately 322 retirees and 515 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 50% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2011 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2011.

Annual Required Contribution (ARC)	\$ 4,209,078
Interest on net OPEB obligation	234,198
Adjustment to ARC	(223,476)
Other adjustments	<u>(52,650)</u>
Annual OPEB cost	4,167,150
Contributions made	<u>(1,141,412)</u>
Increase in net OPEB obligation	3,025,738
Net OPEB obligation - beginning of year	<u>5,563,186</u>
Net OPEB obligation - end of year	<u>\$ 8,588,924</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 4,167,150	27%	\$ 8,588,924
2010	\$ 3,755,524	26%	\$ 5,563,186

The Town's net OPEB obligation as of June 30, 2011 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 47,798
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>47,798</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>28,675</u>
UAAL as a percentage of covered payroll	<u>167%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.25% investment rate of return and an initial annual healthcare cost trend rate of between 5% and 7.02%, after the initial year trends start at 8% or 9% and decrease to 5% or 6% over 6 to 8 years (depending on health insurance plan). The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

19. Pension Plan

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

A. Plan Description

The Town contributes to the Plymouth County Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 2,055,177, \$ 1,812,398, and \$ 1,790,177, respectively, which were equal to its annual required contributions for each of these years.

C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The Town is not required to contribute.

D. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

In fiscal year 2011, the Commonwealth of Massachusetts contributed \$ 5,291,024 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

21. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/11 (as previously reported)	Reclassification	Fund Equity 6/30/11 (as restated)
Nonmajor funds	\$ 3,219,801	\$ (370,722)	\$ 2,849,079
Senior Center capital project fund	<u>(370,722)</u>	<u>370,722</u>	<u>-</u>
Total	<u>\$ 2,849,079</u>	<u>\$ -</u>	<u>\$ 2,849,079</u>

The reclassification was due to reclassifying Capital Reserve Funds from the Major and Non Major Funds into the General Fund per GASB 54. Accordingly, the following table is provided to reflect a bridge of the ending balances of the current year under GASB 54:

	Non Spendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund						
Reserve for:						
Encumbrance	\$ -	\$ -	\$ -	\$ 274,771	\$ -	\$ 274,771
Continuing appropriations	-	-	1,024,282	-	-	1,024,282
Expenditures	-	-	-	2,394,387	-	2,394,387
Debt service	-	603,887	-	-	-	603,887
Stabilization	-	-	1,676,753	-	-	1,676,753
Undesignated	-	-	-	-	2,398,111	2,398,111
subtotal	<u>-</u>	<u>603,887</u>	<u>2,701,035</u>	<u>2,669,158</u>	<u>2,398,111</u>	<u>8,372,191</u>
Major						
High school capital project fund	-	-	-	-	(6,464,228)	(6,464,228)
Community preservation fund	-	-	807,189	-	-	807,189
subtotal	<u>-</u>	<u>-</u>	<u>807,189</u>	<u>-</u>	<u>(6,464,228)</u>	<u>(5,657,039)</u>
Non Major						
Special Revenue	-	2,734,753	-	-	(5,363)	2,729,390
Capital Projects	-	169,888	-	-	(1,337,910)	(1,168,022)
Permanent Funds	166,960	531,858	-	-	-	698,818
subtotal	<u>166,960</u>	<u>3,436,499</u>	<u>-</u>	<u>-</u>	<u>(1,343,273)</u>	<u>2,260,186</u>
Grand Total	<u>\$ 166,960</u>	<u>\$ 4,040,386</u>	<u>\$ 3,508,224</u>	<u>\$ 2,669,158</u>	<u>\$ (5,409,390)</u>	<u>\$ 4,975,338</u>

**TOWN OF HANOVER, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2011

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 33,604	\$ 33,604	0.0%	\$ 24,891	135.0%
1/1/2011	\$ -	\$ 47,798	\$ 47,798	0.0%	\$ 28,675	166.7%

See Independent Auditors' Report.