

OFFICIAL STATEMENT DATED JUNE 16, 2016

Rating: See "Rating" herein.
Moody's Investors Service: Aa2

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds 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 Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

TOWN OF HANOVER, MASSACHUSETTS
\$14,675,000 GENERAL OBLIGATION REFUNDING BONDS

DATED
Date of Delivery

DUE
May 15
(as shown below)

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

Principal of the Bonds will be payable May 15 of the years in which the Bonds mature. Interest on the Bonds will be payable May 15 and November 15 of each year, commencing November 15, 2016. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

Due May 15	Principal Amount	Interest Rate	Yield	Cusip 411018
2017	\$ 280,000	3.00	% 0.61	RM8
2018	270,000	4.00	0.70	RN6
2019	410,000	4.00	0.80	RP1
2020	1,395,000	4.00	0.95	RQ9
2021	1,425,000	4.00	1.06	RR7
2022	1,450,000	4.00	1.16	RS5
2023	1,485,000	4.00	1.20	RT3
2024	1,515,000	4.00	1.33	RU0
2025	1,270,000	4.00	1.45	RV8
2026	1,310,000	4.00	1.55	RW6
2027	1,330,000	2.00	1.70	RX4
2028	1,260,000	2.00	1.90	RY2
2029	1,275,000	2.00	2.10	RZ9

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. FirstSouthwest, Boston, Massachusetts has acted as Financial Advisor to the Town, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 24, 2016, against payment to the Town in federal funds.

JANNEY MONTGOMERY SCOTT LLC

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

SUMMARY STATEMENT

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

Date of Sale: Thursday, June 16, 2016, 12:00 P.M. (Eastern Daylight Time).

Location of Sale: FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest" see "Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc." herein), 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: Town of Hanover, Massachusetts.

Issue: \$14,675,000 General Obligation Refunding Bonds, see "THE BONDS Book-Entry-Transfer System" herein.

Official Statement Dated: June 16, 2016.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially May 15, 2017 through May 15, 2029, as detailed herein.

Interest Payable: May 15 and November 15 of each year, commencing November 15, 2016.

Purpose and Authority: Bond proceeds will be used to refund general obligation bonds originally issued June 15, 2004, May 15, 2008 & May 15, 2009 as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

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

Security: The Bonds are valid general obligations of the Town of Hanover, Massachusetts, and the principal of and interest on the Bonds are payable from taxes that may be levied upon all the property within the territorial limits of the Town, without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

Credit Rating: Moody's Investors Service has assigned a rating of Aa2 to the Bonds.

Bond Insurance: The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **Bids must include a premium of at least \$110,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

Bank Qualification: The Bonds will not be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying/Escrow Agent: U.S. Bank National Association, Boston, Massachusetts.

Verification Agent: Grant Thornton LLP, Minneapolis, Minnesota.

Legal Opinion: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: FirstSouthwest, Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about June 24, 2016, against payment in federal funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. Janine Smith, Finance Director, Town of Hanover, Massachusetts telephone (781) 826-5498 or Peter Frazier, Managing Director, FirstSouthwest, Boston, Massachusetts Telephone (617) 619-4409.

NOTICE OF SALE

TOWN OF HANOVER, MASSACHUSETTS

\$14,415,000* GENERAL OBLIGATION REFUNDING BONDS

The Town of Hanover, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 12:00 P.M., Eastern Time, Thursday, June 16, 2016, for the purchase of the following described General Obligation Refunding Bonds of the Town (the "Bonds"):

\$14,415,000* General Obligation Refunding Bonds payable May 15 of the years and in the amounts as follows:

<u>Due May 15</u>	<u>Principal Amount*</u>
2017	\$ 295,000
2018	285,000
2019	410,000
2020	1,370,000
2021	1,395,000
2022	1,425,000
2023	1,450,000
2024	1,475,000
2025	1,225,000
2026	1,260,000
2027	** 1,310,000
2028	** 1,235,000
2029	** 1,280,000

*Preliminary, subject to change.

**Callable maturities. May be combined into one or two term bonds as set forth herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on May 15 of the years in which the Bonds mature. Interest will be payable on May 15 and November 15 of each year, commencing November 15, 2016.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of FirstSouthwest, Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge to such purchaser.

Redemption Provisions

Bonds maturing on or prior to May 15, 2026 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after May 15, 2027 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2026, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

For Bonds maturing on and after May 15, 2027, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one, two or

three Term Bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond maturing in the nearest subsequent year. Bidders may specify no more than two Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on May 15 of the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent, and **(c) any coupon in excess of 4.0%. No bid of less than par plus a premium of at least \$110,000 will be accepted.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedules for the Bonds after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding to be undertaken by the issuance of the Bonds after taking into account the premium received by the Town and the actual investment yield at which the proceeds of such portion of the Bonds are to be invested and (b) account for any changes in the bonds to be refunded with proceeds of the Bonds based on the actual debt service savings to be realized by the Town. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid, nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

- (b) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Janine Smith, Finance Director, Town of Hanover, Massachusetts c/o FirstSouthwest, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to FirstSouthwest, telephone (617) 619-4400, at least one-half hour prior to the 12:00 P.M. sale and after receipt of the faxed bid form by FirstSouthwest. FirstSouthwest will act as agent for the bidder, but neither the Town nor FirstSouthwest shall be responsible for any errors in connection with bids submitted in this manner.
- (c) Electronically via Parity in accordance with this Notice of Sale. 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 the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds 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.

The award of the Bonds 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 right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Moody's Investors Service for a rating on the Bonds. Any such fee paid to Moody's Investors Service would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated June 9, 2016, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Treasurer to the effect that, to the best of her knowledge and belief of the signer thereof, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of June 16, 2016 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds 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 prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated June 9, 2016.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated June 9, 2016, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 20 copies of the Final Official Statement will be available from FirstSouthwest to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to DTC or its custodial agent on or about June 24, 2016 for settlement in federal funds.

TOWN OF HANOVER, MASSACHUSETTS
/s/ Janine Smith, Finance Director

June 9, 2016

OFFICIAL STATEMENT
TOWN OF HANOVER, MASSACHUSETTS
\$14,675,000 GENERAL OBLIGATION REFUNDING BONDS

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 \$14,675,000 stated principal amount of its General Obligation Refunding Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest payable semiannually on May 15 and November 15 of each year, commencing November 15, 2016. The Bonds shall mature on May 15 of the years and in the principal amounts as set forth on the first page of this Official Statement.

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

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

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to May 15, 2026 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after May 15, 2027 shall be subject to redemption prior to maturity, at the option of the Town, on or after May 15, 2026, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemption commencing on May 15 of the first year which has been combined to form such Term Bonds and continuing on May 15 in each year thereafter until the stated maturity date of any such Term Bonds. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement Term Bonds which have been purchased and cancelled by the Town or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date; provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to securities 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 Beneficial Owners.

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

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

Authorization of the Bonds and Use of Proceeds

<u>This Issue</u>	<u>Purpose</u>	<u>M.G.L. Chapter Reference, Ch. 44,</u>
14,675,000	Refunding	21A
<u>\$ 14,675,000</u>	Total	

A portion of the Bond proceeds will be used to current refund a portion of the Town \$6,100,000 General Obligation Bonds dated June 15, 2004, maturing in the years 2017 through 2024, in the aggregate principal amount of \$2,255,000 (the "2004 Bonds"), to advance refund a portion of the Town's \$4,210,000 General Obligation Bonds dated May 15, 2008, maturing in the years 2019 through 2027, in the aggregate amount of \$1,280,000 (the "2008 Bonds"), and to advance refund a portion of the Town \$20,000,000 General Obligation Bonds dated May 15, 2009, maturing in the years 2020 through 2029 in the aggregate amount of \$11,775,000 (the "2009 Bonds" and together with the 2004 Bonds and 2008 Bonds, the "Refunded Bonds"), and to pay costs of issuing the Bonds.

Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Refunding Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Refunding Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount that will be held in cash and an amount that will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium (if any) on, the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by FirstSouthwest on behalf of the Town. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by FirstSouthwest and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$ 14,675,000.00
Premium	1,827,145.80
Cash Contribution	230,083.56
Total Sources	<u>\$ 16,732,229.36</u>
Uses:	
Deposit to Refunding Escrow Fund	\$ 16,581,049.39
Purchaser's Discount	38,742.66
Costs of Issuance	108,235.00
Additional Proceeds	4,202.31
Total Uses	<u>\$ 16,732,229.36</u>

Tax Exemption

In the opinion of Locke Lord 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 Bonds 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 Bonds 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. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds 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 Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), 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 Bonds 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 a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds 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 Bonds accrues daily over the term to maturity of such Bonds 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

Prospective Bondholders 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 Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds 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 Bonds. Prospective Bondholders 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 Bonds 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 Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds 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 Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

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" (see "Serial Bonds and Notes" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

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 Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter 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 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 or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s 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.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by The Commonwealth of Massachusetts (the

“Commonwealth”) to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not currently 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 purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

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

Rating

Moody’s Investors Service has assigned a rating of Aa2 to the Bonds. Said rating reflects only the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc.

FirstSouthwest, Boston, Massachusetts serves as financial advisor to the Town of Hanover, Massachusetts.

First Southwest Company, LLC (“FirstSouthwest”) merged with its common control affiliate, Hilltop Securities Inc. (“HilltopSecurities”). The merger was completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumed all rights and obligations of FirstSouthwest. The firm’s municipal advisory business will continue to operate as FirstSouthwest, a Division of Hilltop Securities Inc.

Continuing Disclosure

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

In the past five years the Town believes that it has complied, in all material respects, with its 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 State 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	Brian E. Barthelmes	Elected	2018
Selectman, Vice Chair	Susan M. Setterland	Elected	2017
Selectman	John C. Tuzik	Elected	2019
Selectman	Robert S. O'Rourke	Elected	2017
Selectman	David Delaney	Elected	2018
Town Manager	Troy B.G. Clarkson	Appointed	2018
Director of Finance	Janine Smith	Appointed	2016
Treasurer/Collector	Janine Smith	Appointed	2016
Town Clerk	Catherine Harder-Bernier	Elected	2019
Town Counsel	Lauren C. Galvin	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				
	2011	2012	2013	2014	2015
Elementary	1,049	1,030	965	921	958
Middle School	913	897	934	878	821
High School	696	775	780	791	816
Totals	<u>2,658</u>	<u>2,702</u>	<u>2,679</u>	<u>2,590</u>	<u>2,595</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, 2015 the school enrollment was 630 with 46 students from Hanover.

Industry and Commerce

Hanover is located 25 miles southeast of downtown Boston and is centrally situated within Plymouth County. Hanover is a regional commercial center served by Route 3 a state limited access highway. The community's main commercial artery is Route 53 running north to south. Land on both sides of Route 53 is commercially zoned for its entire five mile length in Hanover. The Hanover Mall which is geographically positioned at the Route 3 and Route 53 interchange (exit 13 off Route 3) serves as a regional economic anchor. The land encompassing the Hanover Mall is identified as Planned Shopping Center District, allowing for large scale retail development. Commercial activity is further enhanced by close access to two other Route 3 interchanges at Route 228, exit 14 in Rockland and at Route 139, exit 12 in Pembroke. All three identified interchanges incorporate Route 53, promoting this state numbered route as a regional thoroughfare linking neighboring towns of Pembroke, Hanson, Rockland, Norwell, and Scituate. Due to Hanover's geographic location, present zoning regulations and a pro-business outlook Hanover has become a shopper's choice and destination as a regional business center.

Hanover's Planning Office and Planning Board with the help of the Boston region's Metropolitan Area Planning Council (MACP) are currently embarking on the planning process to update the community's master plan. This public process will be used to envision and outline Hanover's future with respect to land use, transportation, and development. Included in the master planning process will be a comprehensive review of the zoning regulations to study the potential of the existing commercial corridors regarding economic growth and development while maintaining the community's strong historical fabric. Over the past decade the Massachusetts Department of Transportation (MassDOT) has improved access to and from Hanover through three transportation improvement projects. The widening of Route 53 to five lanes was completed several years ago, thus increasing road capacity surrounding the Hanover Mall south to the intersection of Silver Street and Pond Street. The Route 3 overpass bridge replacement project was completed in 2012 to ease traffic flow north along Route 53. The third project implementation of a middle turning lane from along Route 53 to the intersection at Route 123 near the Norwell town line will be completed in 2016. In addition, the Town has embarked on an ambitious effort to investigate the feasibility of establishing a municipal sewer along the commercial corridor, a project that would allow for increased density and additional commercial development. Hanover continues to work with local business owners, developers and Mass DOT to improve traffic flow on Route 53 to deal with increased traffic flow due to an improving economy and the subsequent new businesses that follow.

In 2005, the Town adopted a Village Planned Unit Development bylaw which promotes mixed-use development, allowing for the combination of commercial and residential land use along the Route 53 corridor. In September of 2015, Hanover saw the ground breaking of the second of three phased development projects which will create the Town's first mixed-use center. The second phase of planned development known as "Sconset Landing" will bring 130 condominium units to the local real estate market. Work is being undertaken by Five Mark Properties.

Hanover's geographical location has for many years attracted the automobile industry. The Prime Motor Group has three car dealerships: Prime GMC, Prime Infinity and Prime Mercedes located along Route 53, with plans to develop a new auto processing center. Additionally, McGee Toyota, Land Rover of Hanover, Coastal Volkswagen, Janell Ford and Planet Subaru of Hanover are all located along the Route 53 corridor. Hanover continues to support the growth of the automobile industry along Route 53. The community is pleased with the construction and completion of the University Sports Complex and the redevelopment of the Star Land amusement park a local draw for many past generations. This thriving sports complex includes eight indoor basketball courts, and a full size indoor turf field for both soccer and lacrosse. The University Sports Complex continues to attract both regional and national youth sports

tournaments and competitions to the South Shore. Redevelopment has continued to the southern portions of Route 53 as witnessed by the recent permitting of 357 Columbia Road which will bring a blighted property back to life by incorporating a new Planet Fitness workout facility to the region. Additionally, Tractor Supply Co., a national retailer of home, lawn and farming equipment has received local permitting for 409 Columbia Road.

The Hanover Mall is in the middle of an exciting renaissance, led by the completion of a new Buffalo Wild Wings restaurant at the site of a previous Uno's restaurant. The Mall has also recently been granted a permit to construct an assisted living facility and upgrade its wastewater treatment system. Mall management meets regularly with Town officials and has strengthened its partnership through increased collaboration.

The South Shore YMCA welcomes a satellite Spaulding Rehab facility to the South Shores largest YMCA. The YMCA has continued its growth in Hanover with the recently completed Emilson Arts and Entertainment Pavilion. The YMCA has also recently completed a new sewage treatment plant to operate the YMCA complex.

The community continues to support affordable senior housing at Barstow Village, where the Legion and Cushing residences continue to thrive. The Town has recently approved a new 40B 37 unit housing project on the Cardinal Cushing campus which will restore the historic Kennedy Building. Said project will be spearheaded by the Planning Office of Urban Affairs and the Cushing Center with a financial contribution from the Hanover Affordable Housing Trust. The Town continues to forge a working relationship with Cardinal Cushing officials, having continued conversations for further site and campus improvements.

Hanover continues to work closely with property owners to create and modify zoning bylaws that will allow for greater commercial development along Route 53's commercial corridor, ensuring stable sustainable commercial growth. It is forecast that more than \$100 million of new construction will occur in the coming years. While Hanover is primarily a residential town, it also has a substantial amount of commerce along the Route 53 corridor with access to Route 3. Trade, transportation and utilities are leading economic pursuits accounting for approximately 59% of the employment. Hanover is active in supporting the business community and in managing its resources to provide for expansion of the tax base. Town Boards and committees 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. Support for a partnership with the business community is exemplified by the Board of Selectmen's recent licensing of space in the Town Hall for use by the Chamber of Commerce.

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 2010-2014.

Industry	Calendar Year Average				
	2010	2011	2012	2013	2014
Construction	354	362	417	465	542
Manufacturing	483	480	488	509	509
Trade, Transportation & Utilities	2,441	2,347	2,389	2,461	2,463
Information	104	111	105	102	85
Financial Activities	259	238	229	191	300
Professional and Business Services	641	674	697	761	814
Education and Health Services	826	844	938	1,000	1,005
Leisure and Hospitality	896	946	923	971	894
Other Services	390	406	408	361	540
Total Employment	6,394	6,408	6,594	6,821	7,152
Number of Establishments	689	681	654	657	685
Average Weekly Wages	\$ 723	\$ 749	\$ 763	\$ 798	\$ 813
Total Wages	\$ 247,550,125	\$ 256,319,968	\$ 267,644,966	\$ 290,425,128	\$ 309,375,058

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.

LARGEST EMPLOYERS

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

Name	Product/Function	Approximate No. of Employees
YMCA	Exercise/Family Facility	250-499
Direct Finance Group	Finance	100-249
Independent Bank Corp.	Banking	100-249
Joe's American Bar & Grill	Restaurant	100-249
Macy's	Retail Store	100-249
Mcgee	Car dealership	100-249
PA Landers	Construction	100-249
Shaw's Supermarket	Food Market	100-249
South Shore Voc Tech School	School	100-249
Target	Retail Store	100-249

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training, in March 2016, the Town had a total labor force of 7,436 of which 7,177 were employed and 259 or 3.5% were unemployed as compared with 4.4% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2011 through 2015 and the unemployment rate for the Commonwealth and United States as a whole for the same period.

UNEMPLOYMENT RATES

Year	Town of Hanover		Commonwealth	United States
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2015	7,425	4.0 %	4.9 %	5.0 %
2014	7,411	4.7	5.8	6.2
2013	7,562	5.6	6.1	7.4
2012	7,544	5.4	6.7	8.1
2011	7,595	6.1	6.8	8.9

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 2011 through May 1, 2016. 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		
2016 (1)	6	\$1,327,500	3	\$1,611,840	108	\$2,207,224	12	\$1,041,500	129	\$6,188,064
2015	34	7,811,680	3	8,389,752	453	6,027,382	72	7,957,448	563	30,186,262
2014	13	3,720,660	1	300,000	294	5,640,483	30	2,501,612	337	12,162,755
2013	21	5,950,500	8	6,895,830	332	5,470,478	48	4,803,628	409	23,120,436
2012	18	4,921,600	4	1,025,842	205	3,245,299	6	105,572	233	9,298,313
2011	25	5,665,000	7	6,715,807	260	4,723,806	29	5,405,290	321	22,509,903

(1) Issued through May 1, 2016.

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:			
2010	41.8	39.1	37.2
2000	37.5	36.5	35.3
1990	34.1	33.6	32.9
1980	28.1	31.2	30.0
Median Family Income:			
2010	\$110,000	\$81,165	\$51,144
2000	86,835	50,502	50,046
1990	59,473	44,367	35,225
1980	27,034	21,166	19,908
Per Capita Income:			
2010	\$41,043	\$33,966	\$27,334
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 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
GROSS AMOUNT TO BE RAISED:					
Appropriations(1)	\$53,778,201	\$54,607,090	\$56,245,067	\$57,886,033	\$63,310,629
Other Local Expenditures	171,606	294,800	40,175	104,292	144,988
State and County Charges	516,848	552,995	568,946	601,023	587,173
Overlay Reserve	507,420	467,878	461,116	454,897	292,935
Total Gross Amount to be Raised	<u>\$54,974,075</u>	<u>\$55,922,763</u>	<u>\$57,315,304</u>	<u>\$59,046,245</u>	<u>\$64,335,725</u>
LESS EST. RECEIPTS & OTHER REVENUE:					
Estimated Receipts from State(2)	8,685,129	9,346,066	9,467,271	9,625,073	9,722,093
Estimated Receipts - Local	8,724,473	7,524,529	8,096,829	7,245,537	8,973,743
Available Funds Appropriated:					
Free Cash	2,394,387	2,067,248	1,924,421	1,533,736	2,166,750
Other Available Funds(3)	1,071,326	985,510	870,815	1,967,537	1,967,737
Total Estimated Receipts & Revenue	<u>20,875,315</u>	<u>19,923,353</u>	<u>20,359,336</u>	<u>20,371,883</u>	<u>22,830,323</u>
Net Amount to be Raised (Tax Levy)	<u>\$34,098,760</u>	<u>\$35,999,410</u>	<u>\$36,955,968</u>	<u>\$38,674,362</u>	<u>\$41,505,402</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>
2014	\$2,383,514,700	(2.12) %
2012	2,435,053,200	(6.85)
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. The next revaluation will occur in fiscal 2015.

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Rate Per \$1,000 Valuation</u>	<u>Tax Levy</u>	<u>Tax Levy Per Capita(1)</u>
2016	\$ 2,385,810,850	\$ 51,159,150	\$ 2,436,970,000	\$ 17.88	\$ 41,505,402	\$ 2,991
2015 (2)	2,319,654,950	50,058,510	2,369,713,460	17.14	38,674,362	2,787
2014	2,208,203,150	47,241,170	2,255,444,320	17.20	36,955,968	2,663
2013	2,242,844,850	47,722,630	2,290,567,480	15.55	35,999,410	2,594
2012	2,206,809,300	46,786,660	2,253,595,960	15.00	34,098,760	2,457

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

(2) Revaluation year.

Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate in fiscal years 2016, 2015, and 2014.

Property Type	2016		2015		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 2,078,239,469	85.3 %	\$ 2,012,206,926	84.9 %	\$ 1,856,236,836	84.1 %
Commercial	299,212,141	12.3	298,023,144	12.6	295,611,206	13.4
Industrial	59,518,390	2.4	59,483,390	2.5	56,355,108	2.6
Total Real Estate	<u>\$ 2,436,970,000</u>	<u>100.0 %</u>	<u>\$ 2,369,713,460</u>	<u>100.0 %</u>	<u>\$ 2,208,203,150</u>	<u>100.0 %</u>

(1) Includes personal property.

Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon assessed valuations for fiscal 2016. 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 2016	% of Total Valuation
1175 Washington Street Holdings LLC	Commercial	\$ 44,830,100	1.84 %
Target Corporation	Commercial	15,110,800	0.62
MSCI 200-HQ8 Complex 2053, LLC	Commercial	14,495,300	0.59
Starland Holdings LLC	Commercial	10,886,300	0.45
Cushing Green Limited Partnership	Residential	9,791,100	0.40
Northern Rose Hanover LTD	Commercial	8,258,500	0.34
Coneco Realty and RDM Washington St.	Commercial	8,536,500	0.35
AMR Real Estate Holdings - Hanover	Commercial	8,000,000	0.33
Shaws Hanover Station LLC	Commercial	6,589,100	0.27
Hanover Washington LTD Partnership	Commercial	6,588,600	0.27
Total		<u>\$ 133,086,300</u>	<u>5.46 %</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, 2015.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements and Exemptions Granted Through June 30, 2015
		Dollar Amount	As a % of Net Levy	
2015	\$38,219,466	\$454,897	1.19 %	\$155,517
2014	36,494,852	461,116	1.26	250,061
2013	35,531,532	467,878	1.32	193,432
2012	33,650,844	507,420	1.51	177,766
2011	31,941,212	443,452	1.39	298,434

(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)		Collections as of June 30, 2015 (3)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2015	\$38,674,362	\$454,897	\$38,219,465	\$37,967,782	99.3 %	\$37,967,782	99.3 %
2014	36,955,968	461,116	36,494,852	36,304,878	99.5	36,490,733	100.0
2013	35,999,410	467,878	35,531,532	35,356,454	99.5	35,790,278	100.7
2012	34,158,264	507,420	33,650,844	33,677,536	100.1	33,704,537	100.2
2011	32,384,664	443,452	31,941,212	32,130,896	100.6	32,141,610	100.6

(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.

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

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>
2015	\$ 359,175	\$ 46,374
2014	222,651	68,375
2013	273,168	87,292
2012	392,189	0
2011	340,972	0

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				
	2016	2015	2014	2013	2012
Primary Levy Limit (2)	\$ 60,924,250	\$ 59,242,837	\$ 56,386,108	\$ 57,264,187	\$ 56,339,899
Prior Fiscal Year Levy Limit	35,747,973	34,450,915	33,158,341	31,914,258	30,841,185
2.5% Levy Growth	893,699	861,273	828,959	797,856	771,030
New Growth (3)	339,189	435,785	463,615	446,227	302,043
Overrides	-	-	-	-	-
Growth Levy Limit	36,980,861	35,747,973	34,450,915	33,158,341	31,914,258
Debt Exclusions	4,577,190	3,522,772	3,523,614	2,975,508	2,187,354
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	41,558,051	39,270,745	37,974,529	36,133,849	34,101,612
Tax Levy	41,505,402	38,674,362	36,955,968	35,999,410	34,098,760
Unused Levy Capacity (4)	52,649	596,383	1,018,561	134,439	2,852
Unused Primary Levy Capacity (5)	\$ 23,943,389	\$ 23,494,864	\$ 21,935,193	\$ 24,105,846	\$ 24,425,641

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

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

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

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

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. The CPA Fund Balance as of June 30, 2015 was \$2,923,000 (unaudited) and the estimated balance projected as of June 30, 2016 is approximately \$3,582,000.

Community Preservation Fund Revenues

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Contribution</u>	<u>Total</u>
2015	\$ 881,623	\$ 320,797	\$ 1,202,420
2014	828,061	521,682	1,349,743
2013	813,234	251,709	1,064,943
2012	775,278	238,535	1,013,813
2011	738,846	243,120	981,966
2010	732,232	291,996	1,024,228

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 2013 through 2017 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

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Proposed Fiscal 2017
General Government	\$1,330,746	\$1,404,732	\$1,129,510	\$1,118,635	\$1,312,360
Public Safety	5,600,064	5,882,893	6,111,530	6,300,486	6,511,517
Schools	22,825,413	23,410,430	24,811,838	25,662,155	26,560,030
Public Works(1)	8,802,770	9,112,907	6,240,044	6,539,121	6,774,403
Community Services (2)	1,465,545	1,547,735	1,585,981	1,686,329	1,908,061
Debt & Interest	5,207,586	5,199,087	5,173,314	5,872,705	5,474,530
Unclassified(3)	6,987,684	6,910,694	6,987,339	7,274,455	7,532,770
Total Expenditures	<u>\$52,219,808</u>	<u>\$53,468,478</u>	<u>\$52,039,556</u>	<u>\$54,453,886</u>	<u>\$56,073,671</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.

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

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 fiscal 2013 state aid in the General Fund totaled \$9,271,455. In fiscal 2014 state aid in the General Fund totaled \$9,433,441. In fiscal 2014 state aid in the General Fund totaled \$9,567,235. In fiscal 2016 state aid in the General Fund is estimates is \$9,705,723.

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

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

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

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

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

The 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 2015, motor vehicle excise tax receipts in the General Fund totaled \$2,513,982.

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 2016. There is a minimum charge per quarter, which depends on the size of the water meter at the service location, ranges from \$38.00 to \$632.88 and a usage charge per quarter ranges from \$2.80 to \$11.07 per hundred cubic feet. The Water Department's revenues and expenditures for fiscal years 2009 through 2013 are as follows:

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2015	\$ 3,527,883	\$ 3,261,406
2014	3,388,299	2,911,305
2013	3,202,723	3,128,005
2012	3,248,547	2,921,432
2011	3,424,442	2,977,427

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. In fiscal 2015, the total revenue generated from this tax totaled \$317,526, which is deposited into the OPEB Trust Fund. The revenue from this tax is expected to generate approximately \$250,000 annually.

Other: Other major general fund sources of revenue in fiscal 2015 include licenses and permits \$442,337, departmental revenues \$347,853 and fines \$107,736.

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

The Town's most recent annual audits have been performed by Melanson Heath, Public Accountants. A copy of the fiscal 2015 audit is attached hereto 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 2015, 2014 and 2013 and Statements of Revenues, Expenditures and Changes in Fund Balance for fiscal year 2015 through 2011. Said statements were extracted from the Town's audited financials.

**TOWN OF HANOVER
BALANCE SHEET
AS OF JUNE 30, 2015 (1)**

	Total General Fund	High School Capital Project Fund	Community Preservation Act Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short term investments	\$ 2,051,986	\$ 2,766,000	\$ 2,935,227	\$ 1,791,339	\$ 5,148,260	\$ 14,692,812
Investments	10,978,993	-	-	-	656,519	11,635,512
Receivables:						
Property taxes	1,270,126	-	-	-	-	1,270,126
Excises	176,616	-	-	-	580	177,196
Departmental and other	-	-	13,678	121,700	-	135,378
Due from other governments	-	-	-	-	304,372	304,372
Other assets	-	-	-	-	171,866	171,866
TOTAL ASSETS	\$ 14,477,721	\$ 2,766,000	\$ 2,948,905	\$ 1,913,039	\$ 6,281,597	\$ 28,387,262
LIABILITIES						
Warrants payable	\$ 1,395,287	\$ -	\$ 11,897	\$ -	\$ 106,718	\$ 1,513,902
Accrued liabilities	10,043	-	-	-	-	10,043
Tax refunds payable	30,000	-	-	-	-	30,000
Notes payable	-	1,476,698	-	-	826,757	2,303,455
Other liabilities	382,650	-	-	-	-	382,650
TOTAL LIABILITIES	1,817,980	1,476,698	11,897	-	933,475	4,240,050
DEFERED INFLOWS OF RESOURCES	1,318,329	-	13,675	1,121,700	172,446	2,626,150
FUND BALANCES						
Nonspendable	-	-	-	-	166,460	166,460
Restricted	2,108,983	1,289,302	-	1,791,339	6,954,331	12,143,955
Committed	1,897,432	-	2,923,333	-	-	4,820,765
Assigned	2,534,417	-	-	-	-	2,534,417
Unassigned	4,800,580	-	-	-	(1,945,115)	2,855,465
TOTAL FUND BALANCES	11,341,412	1,289,302	2,923,333	1,791,339	5,175,676	22,521,062
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,477,721	\$ 2,766,000	\$ 2,948,905	\$ 2,913,039	\$ 6,281,597	\$ 29,387,262

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

Town of Hanover, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2014 (1)

	General Fund	High School Capital Project Fund	Road Reconstruction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short term investments	\$ 1,464,050	\$ 1,565,310	\$ 2,874,050	\$ 8,652,262	\$ 14,555,672
Investments	10,571,073	-	-	630,756	11,201,829
Receivables:					
Property taxes	1,159,081	-	-	-	1,159,081
Excises	222,579	-	-	827	223,406
Departmental and other	-	-	-	1,089,658	1,089,658
Due from other governments	-	376,700	-	84,995	461,695
Other assets	-	-	-	171,866	171,866
Total assets	<u>\$ 13,416,783</u>	<u>\$ 1,942,010</u>	<u>\$ 2,874,050</u>	<u>\$ 10,630,364</u>	<u>\$ 28,863,207</u>
LIABILITIES					
Warrants payable	\$ 1,320,003	\$ -	\$ 256,752	\$ 376,991	\$ 1,953,746
Tax refunds payable	168,012	-	-	-	168,012
Notes payable	-	8,500,000	4,785,000	300,000	13,585,000
Other liabilities	462,225	-	-	-	462,225
Total liabilities	<u>1,950,240</u>	<u>8,500,000</u>	<u>5,041,752</u>	<u>676,991</u>	<u>16,168,983</u>
DEFERRED INFLOWS OF RESOURCES	1,222,321	376,700	-	1,182,351	2,781,372
FUND BALANCES					
Nonspendable	-	-	-	166,460	166,460
Restricted	1,012,883	-	-	6,400,726	7,413,609
Committed	1,644,146	-	-	2,420,105	4,064,251
Assigned	1,625,561	-	-	-	1,625,561
Unassigned	5,961,632	(6,934,690)	(2,167,702)	(216,269)	(3,357,029)
Total fund balances	<u>10,244,222</u>	<u>(6,934,690)</u>	<u>(2,167,702)</u>	<u>8,771,022</u>	<u>9,912,852</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,416,783</u>	<u>\$ 1,942,010</u>	<u>\$ 2,874,050</u>	<u>\$ 10,630,364</u>	<u>\$ 28,863,207</u>

(1) Extracted from the audited financial statements.

Town of Hanover, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2013 (1)

	General Fund	High School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short term investments	\$ 1,964,134	\$ 787,768	\$ 2,944,617	\$ 5,457,319	\$ 11,153,838
Investments	9,939,527	-	-	528,273	10,467,800
Receivables:					
Property taxes	1,165,898	-	-	-	1,165,898
Excises	374,590	-	-	863	375,453
Departmental and other	42,162	-	13,944	895,812	951,918
Due from other governments	17,470	1,190,002	-	282,414	1,489,886
Other assets	-	-	-	69,744	69,744
Total assets	<u>\$ 13,503,781</u>	<u>\$ 1,977,770</u>	<u>\$ 2,958,561</u>	<u>\$ 7,234,425</u>	<u>\$ 25,674,537</u>
LIABILITIES					
Warrants payable	\$ 1,207,126	\$ -	\$ 2,330	\$ 76,540	\$ 1,285,996
Notes payable	-	8,500,000	-	300,000	8,800,000
Other liabilities	360,879	-	-	-	360,879
Total liabilities	<u>1,568,005</u>	<u>8,500,000</u>	<u>2,330</u>	<u>376,540</u>	<u>10,446,875</u>
DEFERRED INFLOWS OF RESOURCES	1,309,833	1,190,002	13,944	966,419	3,480,198
FUND BALANCES					
Nonspendable	-	-	-	166,460	166,460
Restricted	1,133,709	-	-	5,861,602	6,995,311
Committed	3,583,482	-	2,942,287	-	6,525,769
Assigned	2,031,014	-	-	-	2,031,014
Unassigned	3,877,738	(7,712,232)	-	(136,596)	(3,971,090)
Total fund balances	<u>10,625,943</u>	<u>(7,712,232)</u>	<u>2,942,287</u>	<u>5,891,466</u>	<u>11,747,464</u>
Total liabilities and fund balances	<u>\$ 13,503,781</u>	<u>\$ 1,977,770</u>	<u>\$ 2,958,561</u>	<u>\$ 7,234,425</u>	<u>\$ 25,674,537</u>

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

TOWN OF HANOVER, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF JUNE 30, 2015 (1)

	Total General Fund	High School Capital Project Fund	Community Preservation Act Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 38,436,058	\$ -	\$ 881,253	\$ -	\$ -	\$ 39,317,311
Excises	2,514,965	-	-	-	983	2,515,948
Penalties, interest, and other taxes	525,763	-	-	-	300	526,063
Charges for services	332,886	-	-	1,049,010	2,711,955	4,093,851
Licenses and permits	439,668	-	-	-	-	439,668
Fines and forfeitures	107,736	-	-	-	-	107,736
Intergovernmental	9,560,285	2,212,125	320,797	-	2,043,686	14,136,893
Investment income	54,469	-	370	-	27,264	82,103
Miscellaneous	1,323,375	-	-	-	641,135	1,964,510
TOTAL REVENUES	\$ 53,295,205	\$ 2,212,125	\$ 1,202,420	\$ 1,049,010	\$ 5,425,323	\$ 63,184,083
EXPENDITURES						
Current:						
General government	\$ 2,463,524	\$ -	\$ 132,817	\$ -	\$ 473,860	\$ 3,070,201
Public safety	7,118,173	-	-	-	600,263	7,718,436
Education	27,535,974	13,133	-	-	3,441,188	30,990,295
Public works	3,309,518	-	-	-	2,746,526	6,056,044
Health and Human services	469,794	-	-	-	114,904	584,698
Culture and recreation	616,719	-	-	-	288,753	905,472
Employee benefits	6,569,343	-	-	-	-	6,569,343
Miscellaneous	5,064	-	-	-	281,777	286,841
Debt Service	5,091,245	-	-	-	-	5,091,245
Intergovernmental	516,615	-	-	-	-	516,615
TOTAL EXPENDITURES	53,695,969	13,133	132,817	-	7,947,271	61,789,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(400,764)	2,198,992	1,069,603	1,049,010	(2,521,948)	1,394,893
OTHER FINANCING SOURCES (USES)						
Proceeds of bonds	-	6,025,000	-	-	4,785,000	10,810,000
Transfers in	1,707,954	-	-	-	310,000	2,017,954
Transfers out	(210,000)	-	(566,375)	(675,095)	(174,894)	(1,626,364)
TOTAL OTHER FINANCING SOURCES (USES)	1,497,954	6,025,000	(566,375)	(675,095)	4,920,106	11,201,590
NET CHANGE IN FUND BALANCES	1,097,190	8,223,992	503,228	373,915	2,398,158	12,596,483
FUND BALANCES - BEGINNING OF YEAR	10,244,222	(6,934,690)	2,420,105	1,417,424	2,777,518	9,924,579
FUND BALANCES - END OF YEAR	\$ 11,341,412	\$ 1,289,302	\$ 2,923,333	\$ 1,791,339	\$ 5,175,676	\$ 22,521,062

(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, 2014

	General	High School Capital Project	Road Reconstruction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 36,546,943	\$ -	\$ -	\$ 835,860	\$ 37,382,803
Excises	2,332,894	-	-	49,744	2,382,638
Penalties, interest and other taxes	528,070	-	-	200	528,270
Charges for services	355,789	-	-	3,169,444	3,525,233
Licenses and Permits	428,227	-	-	-	428,227
Fines and Forfeitures	105,400	-	-	-	105,400
Intergovernmental	15,452,085	813,302	-	1,906,237	18,171,624
Investment Income	78,104	-	-	105,757	183,861
Miscellaneous	178,381	-	-	698,995	877,376
Total Revenues	\$ 56,005,893	\$ 813,302	\$ -	\$ 6,766,237	\$ 63,585,432
EXPENDITURES:					
General Government	2,228,294	-	-	728,823	2,957,117
Public Safety	6,944,939	-	-	157,711	7,102,650
Education	32,226,667	35,760	-	3,595,055	35,857,482
Public Works	3,340,614	-	2,073,860	264,086	5,678,560
Health and Human Services	474,588	-	-	211,030	685,618
Culture and Recreation	586,009	-	-	920,022	1,506,031
Employee Benefits	6,148,562	-	-	-	6,148,562
Miscellaneous	-	-	-	185,590	185,590
Debt Service	5,109,564	-	-	-	5,109,564
Intergovernmental	547,609	-	-	-	547,609
Total Expenditures	57,606,846	35,760	2,073,860	6,062,317	65,778,783
Excess Revenues Over (Under)					
Expenditures	(1,600,953)	777,542	(2,073,860)	703,920	(2,193,351)
Other Financing Sources (Uses):					
Operating Transfers in	1,645,772	-	-	536,540	2,182,312
Operating Transfers (out)	(426,540)	-	-	(1,397,033)	(1,823,573)
Total Other Financing Sources (Uses)	1,219,232	-	-	(860,493)	358,739
Change in Fund Balance	(381,721)	777,542	(2,073,860)	(156,573)	(1,834,612)
Fund Equity, at Beginning of Year	10,625,943	(7,712,232)	(93,842)	8,927,595	20,675,049
Fund Equity, at End of Year	\$ 10,244,222	\$ (6,934,690)	\$ (2,167,702)	\$ 8,771,022	\$ 9,912,852

(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, 2013

	General	High School Capital Project	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 35,715,668	\$ -	\$ -	\$ 814,064	\$ 36,529,732
Excises	1,931,864	-	-	7,161	1,939,025
Penalties, interest and other taxes	212,360	-	-	-	212,360
Charges for services	359,428	-	814,064	2,203,744	3,377,236
Licenses and Permits	604,666	-	-	-	604,666
Fines and Forfeitures	100,723	-	-	378	101,101
Intergovernmental	15,121,429	-	251,709	1,252,370	16,625,508
Investment Income	23,253	-	-	81,371	104,624
Miscellaneous	162,610	-	1,702	272,059	436,371
Contributions	257,667	-	-	359,388	617,055
Total Revenues	\$ 54,489,668	\$ -	\$ 1,067,475	\$ 4,990,535	\$ 60,547,678
EXPENDITURES:					
General Government	2,637,049	-	293,607	112,347	3,043,003
Public Safety	6,429,874	-	-	120,124	6,549,998
Education	29,972,779	655,551	-	3,354,713	33,983,043
Public Works	2,753,190	-	-	1,801,804	4,554,994
Health and Human Services	406,130	-	-	70,673	476,803
Culture and Recreation	538,331	-	-	311,114	849,445
Employee Benefits	6,373,695	-	-	-	6,373,695
Miscellaneous	11,887	-	-	5,070	16,957
Debt Service	5,187,850	-	-	-	5,187,850
Intergovernmental	529,169	-	-	-	529,169
Total Expenditures	54,839,954	655,551	293,607	5,775,845	61,564,957
Excess Revenues Over (Under)					
Expenditures	(350,286)	(655,551)	773,868	(785,310)	(1,017,279)
Other Financing Sources (Uses):					
Operating Transfers in	1,713,132	-	-	1,291,168	3,004,300
Operating Transfers (out)	(1,116,109)	-	(779,193)	(833,125)	(2,728,427)
Total Other Financing Sources (Uses)	597,023	-	(779,193)	458,043	275,873
Change in Fund Balance	246,737	(655,551)	(5,325)	(327,267)	(741,406)
Fund Equity, at Beginning of Year	10,379,205	(7,056,681)	2,947,612	6,218,733	12,488,869
Fund Equity, at End of Year	\$ 10,625,942	\$ (7,712,232)	\$ 2,942,287	\$ 5,891,466	\$ 11,747,463

(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, 2012

	General	High School Capital Project	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$34,109,431	\$ -	\$ -	\$ 770,201	\$ 34,879,632
Excises	1,876,555	-	-	2,881	1,879,436
Penalties, interest and other taxes	400,481	-	-	-	400,481
Charges for services	554,032	-	770,201	2,241,263	3,565,496
Licenses and Permits	499,569	-	-	-	499,569
Fines and Forfeitures	99,819	-	-	872	100,691
Intergovernmental	14,369,541	1,205,837	238,335	1,248,513	17,062,226
Investment Income	50,032	-	-	30,671	80,703
Miscellaneous	1,084,480	-	192,273	185,589	1,462,342
Contributions	-	-	-	907,799	907,799
Total Revenues	\$53,043,940	\$ 1,205,837	\$ 1,200,809	\$ 5,387,789	\$ 60,838,375
EXPENDITURES:					
General Government	1,822,068	-	351,637	243,343	2,417,048
Public Safety	6,173,178	-	-	157,730	6,330,908
Education	29,858,101	9,798,290	-	3,493,071	43,149,462
Public Works	2,381,485	-	-	1,308,110	3,689,595
Health and Human Services	368,746	-	-	58,981	427,727
Culture and Recreation	547,425	-	291,803	263,232	1,102,460
Employee Benefits	6,180,484	-	-	-	6,180,484
Miscellaneous	14,936	-	-	15,004	29,940
Debt Service	4,287,133	-	-	9,075	4,296,208
Intergovernmental	513,932	-	-	-	513,932
Total Expenditures	52,147,488	9,798,290	643,440	5,548,546	68,137,764
Excess Revenues Over (Under)					
Expenditures	896,452	(8,592,453)	557,369	(160,757)	(7,299,389)
Other Financing Sources (Uses):					
Proceeds of bonds	-	8,000,000	2,300,000	4,594,075	14,894,075
Operating Transfers in	1,832,790	-	35,922	580,687	2,449,399
Operating Transfers (out)	(722,227)	-	(752,868)	(1,071,326)	(2,546,421)
Total Other Financing Sources (Uses)	1,110,563	8,000,000	1,583,054	4,103,436	14,797,053
Change in Fund Balance	2,007,015	(592,453)	2,140,423	3,942,679	7,497,664
Fund Equity, at Beginning of Year	8,372,191	(6,464,228)	807,189	2,260,186	4,975,338
Fund Equity, at End of Year	\$10,379,206	\$ (7,056,681)	\$ 2,947,612	\$ 6,202,865	\$ 12,473,002

(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, 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:					
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 Revenues Over (Under)					
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
Operating Transfers in	1,008,410	-	-	-	1,008,410
Operating Transfers (out)	-	-	-	(671,661)	(671,661)
Total Other Financing Sources (Uses)	1,008,410	-	-	(412,118)	336,749
Change in Fund Balance	(345,662)	(13,986,252)	(1,476,788)	(588,893)	(16,657,138)
Fund Balance - Beginning of Year, as restated					
Residual Equity Transfer	8,717,853	7,522,024	2,283,977	2,849,079	21,372,933
Fund Balance - End of Year	\$ 8,372,191	\$ (6,464,228)	\$ 807,189	\$ 2,260,186	\$ 4,975,338

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

Unassigned General Fund Balances and Free Cash

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

<u>Year</u>	Unassigned General Fund Balance for Fiscal Year <u>Ending June 30 (1)</u>	Certified Free Cash for Fiscal Year <u>Beginning July 1</u>
2015	\$4,800,580 (2)	\$1,734,000
2014	5,961,632 (2)	2,784,497
2013	3,877,738 (2)	2,074,285
2012	3,692,738 (2)	3,049,716
2011	2,398,111 (2)	2,204,388

(1) Source: Audited Financial Statements.

(2) Unassigned General Fund Balance. Stabilization funds are not included in "unassigned" fund balance. Stabilization funds are included in the "committed" classification.

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 (1)</u>
2016 (projected)	\$2,083,520
2015	1,868,785
2014	1,903,554
2013	1,864,218
2012	1,696,776
2011	1,686,158

(1) Stabilization funds are classified under "committed" fund balance and not included in "unassigned" fund balance.

Capital Stabilization Fund

In fiscal 2015, the Town created a Capital Stabilization Fund with an initial deposit of \$200,000. The projected balance of this fund as of June 30, 2016 is approximately \$500,000.

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 Clean Water Trust 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 Projected as of June 30, 2016 (1)

General Obligation Bonds:

Sewer	\$4,500
Water (2)	2,480,000
Schools (3)	29,740,000
MCWT (4)	386,904
General (5)	14,150,500

Total Long Term Outstanding	\$46,761,904
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Short Term Debt:

Bond Anticipation Notes Outstanding (6)	826,757
This Issue New Money Bond Anticipation Notes (7)	561,402

Total Short Term Outstanding after This Issue (7)	1,388,159
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- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) Supported by the water enterprise fund. \$2,380,000 is outside the Town's debt limit.
- (3) \$29,190,000 is exempt from the provisions of Proposition 2 ½. \$5,895,000 is outside the Town's debt limit. As of June 30, 2016, the Town is expecting to receive \$4,442,910 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 MCWT. \$311,904 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
- (5) \$10,020,500 has been excluded from the provisions of Proposition 2 ½. \$150,000 is outside the Town's debt limit.
- (6) Payable June 24, 2016
- (7) To be issued simultaneously as this issue, payable June 23, 2017.

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
2016 (1)	\$46,761,904	13,879	\$2,436,970,000	\$3,369	1.92 %
2015	51,302,472	13,879	2,369,713,460	3,696	2.16
2014	44,124,340	13,879	2,255,444,320	3,179	1.96
2013	48,015,212	13,879	2,290,567,480	3,460	2.10
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

(1) Projected.

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 PRINCIPAL PAYMENTS BY PURPOSE Projected as of June 30, 2016 (1)

Fiscal Year	Sewer	Water (2)	School (3)	MCWT (4)	General (5)	Total	Cummulative Percentage Retired
2017	\$ 4,500	\$ 435,000	\$ 2,480,000	\$ 35,568	\$ 1,600,500	\$ 4,555,568	9.7 %
2018	-	290,000	2,485,000	35,568	1,375,000	4,185,568	18.7
2019	-	290,000	2,530,000	35,568	1,295,000	4,150,568	27.6
2020	-	290,000	2,590,000	24,700	1,290,000	4,194,700	36.5
2021	-	290,000	2,655,000	24,700	1,175,000	4,144,700	45.4
2022	-	285,000	1,615,000	24,700	1,125,000	3,049,700	51.9
2023	-	285,000	1,650,000	29,700	1,130,000	3,094,700	58.5
2024	-	285,000	1,690,000	14,700	1,135,000	3,124,700	65.2
2025	-	10,000	1,725,000	14,700	1,020,000	2,769,700	71.1
2026	-	10,000	1,770,000	14,700	900,000	2,694,700	76.9
2027	-	10,000	1,810,000	14,700	700,000	2,534,700	82.3
2028	-	-	1,815,000	14,700	620,000	2,449,700	87.6
2029	-	-	1,865,000	14,700	625,000	2,504,700	92.9
2030	-	-	710,000	14,700	70,000	794,700	94.6
2031	-	-	710,000	14,700	45,000	769,700	96.3
2032	-	-	710,000	14,700	45,000	769,700	97.9
2033	-	-	310,000	14,700	-	324,700	98.7
2034	-	-	310,000	14,700	-	324,700	99.4
2035	-	-	310,000	14,700	-	324,700	100.0
Total	\$ 4,500	\$ 2,480,000	\$ 29,740,000	\$ 386,904	\$ 14,150,500	\$ 46,761,904	

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

(2) Supported by the water enterprise fund. \$2,380,000 is outside the Town's debt limit.

(3) \$29,190,000 is exempt from the provisions of Proposition 2 ½. \$5,895,000 is outside the Town's debt limit. As of June 30, 2016, the Town is expecting to receive \$4,442,910 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 MCWT. \$311,904 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.

(5) \$10,020,500 has been excluded from the provisions of Proposition 2 ½. \$150,000 is outside the Town's debt limit.

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 PROJECTED AS OF JUNE 30, 2016

Fiscal Year	Outstanding (1)		SRF Subsidy	MSBA Subsidy	Total Net Debt Service
	Principal	Interest			
2017	\$4,555,568	\$1,878,001	(\$6,162)	(\$888,582)	\$5,538,825
2018	4,185,568	1,693,143	(5,489)	(888,582)	4,984,640
2019	4,150,568	1,518,850	(4,885)	(888,582)	4,775,951
2020	4,194,700	1,346,881	(4,249)	(888,582)	4,648,750
2021	4,144,700	1,174,017	(4,126)	(888,582)	4,426,009
2022	3,049,700	1,006,574	(4,028)	-	4,052,246
2023	3,094,700	871,211	(3,545)	-	3,962,366
2024	3,124,700	739,911	-	-	3,864,611
2025	2,769,700	615,661	-	-	3,385,361
2026	2,694,700	506,318	-	-	3,201,018
2027	2,534,700	399,643	-	-	2,934,343
2028	2,449,700	296,323	-	-	2,746,023
2029	2,504,700	198,810	-	-	2,703,510
2030	794,700	106,325	-	-	901,025
2031	769,700	78,225	-	-	847,925
2032	769,700	51,125	-	-	820,825
2033	324,700	24,025	-	-	348,725
2034	324,700	14,531	-	-	339,231
2035	324,700	4,844	-	-	329,544
Total	\$46,761,904	\$12,524,417	\$(32,485)	\$(4,442,910)	\$54,810,927

(1) \$39,522,404 in principal and \$11,073,015 in interest is exempt from Proposition 2 ½.

Authorized Unissued Debt

The Town currently has \$11,123,754 in authorized unissued debt for various projects. \$8,934,695 is for construction of a new High School, \$823,000 is for various equipment purchases, \$715,000 for street construction and the balance for other various municipal purposes. The High School project was approved by the Massachusetts School Building Authority (MSBA) for construction grants equal to approximately 48.2% of eligible project costs of which the Town has received \$22,232,305. The Town expects to rescind the balance of the high school authorization.

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 2016 dollar assessment for each.

Overlapping Entity	Outstanding Debt	Hanover's Estimated Share (1)	Fiscal 2016 Dollar Assessment (2)
Plymouth County (3)	\$2,475,000	3.62 %	\$51,422
South Shore Regional Vocational School District (4)	805,000	11.71	757,062
Massachusetts Bay Transportation Authority (5)	5,634,750,025	0.2075	23,706

(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, 2015. 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, 2015. 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, 2015. 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.

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 system 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, 2016 (Budget)	\$ 2,961,848
June 30, 2015	2,637,067
June 30, 2014	2,426,018
June 30, 2013	2,377,229
June 30, 2012	2,061,153
June 30, 2011	2,055,177

The Town's share of the estimated unfunded actuarial accrued liability for Plymouth County Retirement System as of January 1, 2015 was approximately \$29,262,147. The Town's 2015 contribution represented 4.53% of total contributions required of all participating entities.

Current Plymouth County Funding Schedule

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability	Funded Ratio**
2016	\$ 21,335,589	\$ 13,243,028	\$ 50,869,520	\$ 64,112,548	26.0	\$ 590,566,333	58.3
2017	22,325,258	13,538,829	53,834,388	67,373,217	26.3	585,995,837	59.8
2018	23,359,149	13,838,193	55,951,286	69,789,479	26.3	577,980,373	61.7
2019	24,439,187	14,140,969	58,152,861	72,293,830	26.2	567,165,058	63.6
2020	25,567,379	14,446,994	59,860,420	74,307,414	26.0	553,239,562	65.7
2021	26,745,817	14,756,086	61,950,357	76,706,443	25.9	536,458,765	67.8
2022	27,976,685	15,068,043	64,426,829	79,494,872	25.8	516,204,359	69.9
2023	29,262,256	15,382,646	67,002,360	82,385,006	25.8	491,804,329	72.2
2024	30,604,903	15,699,654	69,680,912	85,380,566	25.8	462,826,013	74.6
2025	32,007,098	16,018,807	72,466,606	88,485,413	25.8	428,798,099	77.2
2026	33,471,420	16,339,818	75,363,728	91,703,546	25.7	389,207,363	79.9
2027	35,000,556	16,662,379	78,376,735	95,039,114	25.7	343,495,159	82.8
2028	36,597,308	16,986,154	81,510,262	98,496,416	25.7	291,053,598	85.8
2029	38,264,597	17,310,781	84,730,574	102,041,355	25.6	231,221,439	89.0
2030	40,005,468	17,635,868	88,119,797	105,755,665	25.6	163,318,934	92.5
2031	41,823,094	17,960,993	91,644,589	109,605,582	25.6	86,528,220	96.1
2032	43,720,785	18,285,702	-	18,285,702	4.1	-	100.0
2033	45,701,988	18,609,507	-	18,609,507	4.0	-	100.0
2034	47,770,300	18,931,882	-	18,931,882	4.0	-	100.0
2035	49,929,466	19,252,267	-	19,252,267	3.9	-	100.0
2036	52,183,393	19,570,057	-	19,570,057	3.8	-	100.0
2037	54,536,152	19,884,608	-	19,884,608	3.7	-	100.0
2038	56,991,984	20,195,229	-	20,195,229	3.6	-	100.0
2039	59,555,312	20,501,185	-	20,501,185	3.6	-	100.0
2040	62,230,745	20,801,688	-	20,801,688	3.5	-	100.0
2041	65,023,085	21,095,899	-	21,095,899	3.4	-	100.0
2042	67,461,451	21,886,995	-	21,886,995	3.4	-	100.0
2043	69,991,255	22,707,757	-	22,707,757	3.4	-	100.0
2044	72,615,927	23,559,298	-	23,559,298	3.4	-	100.0
2045	75,339,025	24,442,722	-	24,442,722	3.4	-	100.0

SOURCE: January 1, 2015 Plymouth County Retirement System Actuarial Valuation, PERAC.

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:

Fiscal Year	Amount
2016 (Budgeted)	\$ 750,000
2015	733,500
2014	888,840
2013	958,493
2012	900,000
2011	820,000

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, operated by the Mayflower Municipal Health Group, which 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. The Town is in the beginning stages of conducting an updated actuarial valuation of its other post-employment benefits as of June 30, 2013. An updated valuation study is currently in progress.

The Town funds the OPEB Trust fund with the revenue generated from the local option meals tax. The projected balance as of June 30, 2016 is approximately \$1,275,000.

EMPLOYEE RELATIONS

The Town employs approximately 910 full-time, part-time, seasonal, and temporary workers, of whom 490 are employed by the School Department, 38 by the Fire Department, 46 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 322 employees are represented by nine unions, four are which are town and five of which are school. The Teachers contract expires on June 30, 2018. Three school contracts and Fire, Town Clerical, Police and Public Works contracts contract expire on June 30, 2017.

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/ Janine Smith, Finance Director

June 16, 2016

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TOWN OF HANOVER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

Town of Hanover, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hanover, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2016 on our consideration of the Town of Hanover, Massachusetts'

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

Melanson Heath

April 20, 2016

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, 2015.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, 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 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 \$37,190,336 (i.e., net position), a change of \$564,303 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$22,521,062, a change of \$12,596,486 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,800,580, a change of \$(1,161,052) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$51,302,472, a change of \$7,178,132 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>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 33,559	\$ 34,067	\$ 2,877	\$ 3,020	\$ 36,436	\$ 37,087
Deferred outflows	1,152	-	61	-	1,213	-
Capital assets	<u>98,459</u>	<u>98,634</u>	<u>9,697</u>	<u>10,117</u>	<u>108,156</u>	<u>108,751</u>
Total assets and deferred outflows	133,170	132,701	12,635	13,137	145,805	145,838
Current liabilities	9,275	20,143	598	709	9,873	20,852
Noncurrent liabilities	92,892	58,764	5,810	4,621	98,702	63,385
Deferred inflows	<u>39</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>25</u>
Total liabilities	102,206	78,932	6,408	5,330	108,614	84,262
Net position:						
Net investment in capital assets	52,383	50,063	5,760	5,955	58,143	56,018
Restricted	9,853	7,873	-	-	9,853	7,873
Unrestricted	<u>(31,272)</u>	<u>(4,167)</u>	<u>467</u>	<u>1,852</u>	<u>(30,805)</u>	<u>(2,315)</u>
Total net position	<u>\$ 30,964</u>	<u>\$ 53,769</u>	<u>\$ 6,227</u>	<u>\$ 7,807</u>	<u>\$ 37,191</u>	<u>\$ 61,576</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,596	\$ 4,135	\$ 3,425	\$ 3,490	\$ 8,021	\$ 7,625
Operating grants and contributions	11,850	14,096	-	-	11,850	14,096
Capital grants and contributions	2,523	542	-	-	2,523	542
General revenues:						
Property taxes	39,420	37,416	-	-	39,420	37,416
Excises	2,520	2,241	-	-	2,520	2,241
Penalties and interest on taxes	526	528	-	-	526	528
Grants and contributions not restricted to specific programs	2,135	2,228	2	2	2,137	2,230
Investment income	82	184	-	-	82	184
Other	357	502	-	-	357	502
Total revenues	<u>64,009</u>	<u>61,872</u>	<u>3,427</u>	<u>3,492</u>	<u>67,436</u>	<u>65,364</u>
Expenses:						
General government	3,193	2,922	-	-	3,193	2,922
Public safety	7,508	7,105	-	-	7,508	7,105
Education	36,128	37,302	-	-	36,128	37,302
Public works	4,437	3,660	-	-	4,437	3,660
Human services	586	667	-	-	586	667
Culture and recreation	1,205	963	-	-	1,205	963
Employee benefits	8,011	9,425	-	-	8,011	9,425
Interest on long-term debt	1,793	1,778	-	-	1,793	1,778
Intergovernmental	517	548	-	-	517	548
Miscellaneous	287	186	-	-	287	186
Water	-	-	3,206	3,217	3,206	3,217
Total expenses	<u>63,665</u>	<u>64,556</u>	<u>3,206</u>	<u>3,217</u>	<u>66,871</u>	<u>67,773</u>
Change in net position before transfers	344	(2,684)	221	275	565	(2,409)
Transfers in (out)	<u>392</u>	<u>359</u>	<u>(392)</u>	<u>(359)</u>	<u>-</u>	<u>-</u>
Change in net position	736	(2,325)	(171)	(84)	565	(2,409)
Net position - beginning of year, as restated	<u>30,228</u>	<u>56,094</u>	<u>6,398</u>	<u>7,891</u>	<u>36,626</u>	<u>63,985</u>
Net position - end of year	<u>\$ 30,964</u>	<u>\$ 53,769</u>	<u>\$ 6,227</u>	<u>\$ 7,807</u>	<u>\$ 37,191</u>	<u>\$ 61,576</u>

As noted earlier, net position 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 position was \$37,190,336, a change of \$564,303 from the prior year.

The largest portion of net position \$58,143,664 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 position \$9,852,415 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(30,805,743) caused primarily by accrued but unfunded other post-employment benefits (see Note 18) and the net pension liability (see Note 19).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$735,924. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,097,190
High school capital project fund - accrual basis	(13,133)
Community preservation fund - operating results	503,228
Ambulance fund - operating results	373,915
Nonmajor funds - accrual basis	371,881
Principal debt service in excess of depreciation expense	191,269
MSBA receipts	2,212,125
Change in accrued other post-employment benefits	(1,385,720)
Increase in bond premiums	(1,211,895)
Other	<u>(1,402,936)</u>
Total	<u>\$ 735,924</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(171,621) from water operations.

Water operations	\$ <u>(171,621)</u>
Total	<u>\$ (171,621)</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 \$22,521,062, a change of \$12,596,486 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 1,097,190
High school capital project operations	6,011,867
MSBA receipts	2,212,125
Community preservation revenues over expenditures	503,228
Ambulance fund revenues over expenditures	373,915
Nonmajor funds revenues over expenditures	<u>2,398,161</u>
Total	<u>\$ 12,596,486</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,800,580, while total fund balance was \$11,341,412. 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>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,800,580	\$ 5,961,632	\$ (1,161,052)	9%
Total fund balance	\$ 11,341,412	\$ 10,244,222	\$ 1,097,190	21%

The total fund balance of the general fund changed by \$1,097,190 during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 1,792,722
Appropriation turnbacks by departments	243,140
Excess property tax collections	216,593
Prior year encumbrances to be spent in the current year over current year encumbrances to be spent in the subsequent year	(180,533)
Use of free cash as a funding source	(1,378,386)
Use of overlay surplus as a funding source	(200,000)
Change in stabilization	479,589
Other	<u>124,065</u>
Total	<u>\$ 1,097,190</u>

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 1,869,990	\$ 1,909,462	\$ (39,472)
OPEB stabilization	<u>1,123,741</u>	<u>604,680</u>	<u>519,061</u>
Total	<u>\$ 2,993,731</u>	<u>\$ 2,514,142</u>	<u>\$ 479,589</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 position of the enterprise funds at the end of the year amounted to \$466,205, a change of \$(127,049) in comparison to the prior year, as restated.

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$661,909. Major reasons for these amendments include:

- \$24,713 for general government appropriations
- \$22,546 for public safety appropriations
- \$64,650 for education appropriations.
- \$250,000 for Snow and ice appropriations
- \$200,000 transfer to general stabilization.
- \$100,000 transfer to capital stabilization.

These supplemental appropriations were funded by \$164,650 from free cash, \$200,000 from overlay surplus and \$297,259 transferred from other funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$108,155,352 (net of accumulated depreciation), a change of \$(596,098) 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:

- \$2,073,182 increase in infrastructure relating to various road improvements

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$51,302,472, 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 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 POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 14,612,812	\$ 1,622,169	\$ 16,234,981
Investments	11,635,512	-	11,635,512
Receivables, net of allowance for uncollectibles:			
Property taxes	701,466	-	701,466
Excises	132,320	-	132,320
User fees	-	1,250,199	1,250,199
Departmental and other	327,166	-	327,166
Intergovernmental	304,372	6,000	310,372
Other assets	171,866	-	171,866
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	323,258	-	323,258
Intergovernmental	5,349,717	-	5,349,717
Capital Assets:			
Land and construction in progress	10,034,520	827,766	10,862,286
Other assets, net of accumulated depreciation	88,424,997	8,868,069	97,293,066
DEFERRED OUTFLOWS OF RESOURCES	<u>1,151,933</u>	<u>60,628</u>	<u>1,212,561</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	133,169,939	12,634,831	145,804,770
LIABILITIES			
Current:			
Warrants payable	1,513,902	84,315	1,598,217
Accrued liabilities	516,961	7,771	524,732
Tax refunds payable	30,000	-	30,000
Notes payable	2,303,455	6,000	2,309,455
Other current liabilities	382,650	-	382,650
Current portion of long-term liabilities:			
Bonds payable	4,045,868	494,700	4,540,568
Compensated absence	176,308	6,231	182,539
Bond premium	305,139	-	305,139
Noncurrent:			
Bonds payable, net of current portion	43,357,604	3,404,300	46,761,904
Compensated absence	3,349,845	118,380	3,468,225
Bond premium	2,314,199	-	2,314,199
Accrued other post-employment benefits	18,959,994	975,449	19,935,443
Net pension liability	24,910,815	1,311,096	26,221,911
DEFERRED INFLOWS OF RESOURCES	<u>39,452</u>	<u>-</u>	<u>39,452</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	102,206,192	6,408,242	108,614,434
NET POSITION			
Net investment in capital assets	52,383,280	5,760,384	58,143,664
Restricted for:			
Grants and other statutory restrictions	9,594,011	-	9,594,011
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	91,944	-	91,944
Unrestricted	<u>(31,271,948)</u>	<u>466,205</u>	<u>(30,805,743)</u>
TOTAL NET POSITION	\$ <u>30,963,747</u>	\$ <u>6,226,589</u>	\$ <u>37,190,336</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,197,329	\$ 360,802	\$ 456,494	\$ 320,797	\$ (2,059,236)	\$ -	\$ (2,059,236)
Public safety	7,497,274	1,328,933	23,647	-	(6,144,694)	-	(6,144,694)
Education	36,128,222	2,367,346	11,161,040	1,835,328	(20,764,508)	-	(20,764,508)
Public works	4,391,044	173,813	-	367,223	(3,850,008)	-	(3,850,008)
Health and human services	585,663	97,029	101,312	-	(387,322)	-	(387,322)
Culture and recreation	1,205,430	267,750	107,412	-	(830,268)	-	(830,268)
Employee benefits	8,023,181	-	-	-	(8,023,181)	-	(8,023,181)
Interest	1,792,649	-	-	-	(1,792,649)	-	(1,792,649)
Intergovernmental	562,748	-	-	-	(562,748)	-	(562,748)
Miscellaneous	281,777	-	-	-	(281,777)	-	(281,777)
Total Governmental Activities	63,665,317	4,595,673	11,849,905	2,523,348	(44,696,391)	-	(44,696,391)
Business-Type Activities:							
Water services	3,206,588	3,424,224	-	-	-	217,636	217,636
Total Business-Type Activities	3,206,588	3,424,224	-	-	-	217,636	217,636
Total	\$ 66,871,905	\$ 8,019,897	\$ 11,849,905	\$ 2,523,348	(44,696,391)	217,636	(44,478,755)
General Revenues and Transfers:							
Property taxes					39,419,968	-	39,419,968
Excises					2,520,568	-	2,520,568
Penalties, interest and other taxes					526,063	-	526,063
Grants and contributions not restricted to specific programs					2,135,268	2,333	2,137,601
Investment income					82,103	-	82,103
Miscellaneous					356,755	-	356,755
Transfers, net					391,590	(391,590)	-
Total general revenues and transfers					45,432,315	(389,257)	45,043,058
Change in Net Position					735,924	(171,621)	564,303
Net Position:							
Beginning of year, as restated					30,227,823	6,398,210	36,626,033
End of year					\$ 30,963,747	\$ 6,226,589	\$ 37,190,336

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	Total General Fund	High School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 2,051,986	\$ 2,766,000	\$ 2,935,227	\$ 1,791,339	\$ 5,068,260	\$ 14,612,812
Investments	10,978,993	-	-	-	656,519	11,635,512
Receivables:						
Property taxes	1,270,126	-	-	-	-	1,270,126
Excises	176,616	-	-	-	580	177,196
Departmental and other	-	-	13,678	1,121,700	80,000	1,215,378
Due from other governments	-	-	-	-	304,372	304,372
Other assets	-	-	-	-	171,866	171,866
TOTAL ASSETS	\$ 14,477,721	\$ 2,766,000	\$ 2,948,905	\$ 2,913,039	\$ 6,281,597	\$ 29,387,262
LIABILITIES						
Warrants payable	\$ 1,395,287	\$ -	\$ 11,897	\$ -	\$ 106,718	\$ 1,513,902
Accrued liabilities	10,043	-	-	-	-	10,043
Tax refunds payable	30,000	-	-	-	-	30,000
Notes payable	-	1,476,698	-	-	826,757	2,303,455
Other liabilities	382,650	-	-	-	-	382,650
TOTAL LIABILITIES	1,817,980	1,476,698	11,897	-	933,475	4,240,050
DEFERRED INFLOWS OF RESOURCES	1,318,329	-	13,675	1,121,700	172,446	2,626,150
FUND BALANCES						
Nonspendable	-	-	-	-	166,460	166,460
Restricted	2,108,983	1,289,302	-	1,791,339	5,952,066	11,141,690
Committed	1,897,432	-	2,923,333	-	-	4,820,765
Assigned	2,534,417	-	-	-	-	2,534,417
Unassigned	4,800,580	-	-	-	(942,850)	3,857,730
TOTAL FUND BALANCES	11,341,412	1,289,302	2,923,333	1,791,339	5,175,676	22,521,062
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,477,721	\$ 2,766,000	\$ 2,948,905	\$ 2,913,039	\$ 6,281,597	\$ 29,387,262

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS

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

JUNE 30, 2015

Total governmental fund balances	\$ 22,521,062
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	98,459,517
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,408,208
<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.	5,349,717
<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.	(506,918)
<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.	(72,508,957)
<ul style="list-style-type: none">• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(23,758,882)</u>
Net position of governmental activities	<u><u>\$ 30,963,747</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Total General Fund	High School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 38,436,058	\$ -	\$ 881,253	\$ -	\$ -	\$ 39,317,311
Excises	2,514,965	-	-	-	983	2,515,948
Penalties, interest, and other taxes	525,763	-	-	-	300	526,063
Charges for services	331,186	-	-	1,049,010	2,711,958	4,092,154
Licenses and permits	439,668	-	-	-	-	439,668
Fines and forfeitures	107,736	-	-	-	-	107,736
Intergovernmental	9,614,614	2,212,125	320,797	-	2,043,687	14,191,223
Investment income	54,469	-	370	-	27,264	82,103
Miscellaneous	<u>1,270,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,135</u>	<u>1,911,881</u>
Total Revenues	53,295,205	2,212,125	1,202,420	1,049,010	5,425,327	63,184,087
Expenditures:						
Current:						
General government	2,468,033	-	132,817	-	473,862	3,074,712
Public safety	7,106,848	-	-	-	600,263	7,707,111
Education	27,535,974	13,133	-	-	3,441,187	30,990,294
Public works	3,263,385	-	-	-	2,746,526	6,009,911
Health and human services	469,794	-	-	-	114,904	584,698
Culture and recreation	616,719	-	-	-	288,753	905,472
Employee benefits	6,581,223	-	-	-	-	6,581,223
Miscellaneous	-	-	-	-	281,777	281,777
Debt service	5,091,245	-	-	-	-	5,091,245
Intergovernmental	<u>562,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>562,748</u>
Total Expenditures	<u>53,695,969</u>	<u>13,133</u>	<u>132,817</u>	<u>-</u>	<u>7,947,272</u>	<u>61,789,191</u>
Excess (deficiency) of revenues over expenditures	(400,764)	2,198,992	1,069,603	1,049,010	(2,521,945)	1,394,896
Other Financing Sources (Uses):						
Proceeds of bonds	-	6,025,000	-	-	4,785,000	10,810,000
Transfers in	1,707,954	-	-	-	310,000	2,017,954
Transfers out	<u>(210,000)</u>	<u>-</u>	<u>(566,375)</u>	<u>(675,095)</u>	<u>(174,894)</u>	<u>(1,626,364)</u>
Total Other Financing Sources (Uses)	<u>1,497,954</u>	<u>6,025,000</u>	<u>(566,375)</u>	<u>(675,095)</u>	<u>4,920,106</u>	<u>11,201,590</u>
Change in fund balance	1,097,190	8,223,992	503,228	373,915	2,398,161	12,596,486
Fund Equity, at Beginning of Year, as restated	<u>10,244,222</u>	<u>(6,934,690)</u>	<u>2,420,105</u>	<u>1,417,424</u>	<u>2,777,515</u>	<u>9,924,576</u>
Fund Equity, at End of Year	<u>\$ 11,341,412</u>	<u>\$ 1,289,302</u>	<u>\$ 2,923,333</u>	<u>\$ 1,791,339</u>	<u>\$ 5,175,676</u>	<u>\$ 22,521,062</u>

The accompanying notes are an integral part of these 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, 2015

Net changes in fund balances - total governmental funds	\$ 12,596,486																
<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;">2,884,193</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,209,599)</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. (313,308) • 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. (888,679) • 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 position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(10,810,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,400,868</td> </tr> <tr> <td>Issuance of bond premium</td> <td style="text-align: right;">(1,211,895)</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">100,914</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. (203,186) • 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;">(167,912)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(1,385,720)</td> </tr> </table> • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <u>(56,238)</u> 		Capital outlay purchases	2,884,193	Depreciation	(3,209,599)	Issuance of debt	(10,810,000)	Repayments of debt	3,400,868	Issuance of bond premium	(1,211,895)	Amortization of bond premium	100,914	Compensated absences	(167,912)	Net OPEB obligation	(1,385,720)
Capital outlay purchases	2,884,193																
Depreciation	(3,209,599)																
Issuance of debt	(10,810,000)																
Repayments of debt	3,400,868																
Issuance of bond premium	(1,211,895)																
Amortization of bond premium	100,914																
Compensated absences	(167,912)																
Net OPEB obligation	(1,385,720)																
Change in net assets of governmental activities	\$ <u><u>735,924</u></u>																

The accompanying notes are an integral part of these 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, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 38,219,465	\$ 38,219,465	\$ 38,219,465	\$ -
Excises	1,786,525	1,786,525	2,514,965	728,440
Penalties, interest, and other taxes	90,000	90,000	208,237	118,237
Charges for services	332,671	332,671	331,186	(1,485)
Licenses and permits	427,588	427,588	439,668	12,080
Fines and forfeitures	84,250	84,250	107,736	23,486
Intergovernmental	9,594,562	9,594,562	9,614,614	20,052
Investment income	35,000	35,000	42,406	7,406
Other revenues	27,500	27,500	1,270,746	1,243,246
Other financing sources:				
Transfers in	2,019,435	2,316,694	1,957,954	(358,740)
Use of overlay surplus	-	200,000	200,000	-
Use of fund balance	1,213,736	1,378,386	1,378,386	-
Total Revenues	53,830,732	54,492,641	56,285,363	1,792,722
Expenditures and other uses:				
Current:				
General government	4,883,090	4,915,138	4,935,825	(20,687)
Public safety	6,867,572	6,890,118	6,775,563	114,555
Education	25,319,338	25,404,934	25,404,713	221
Public works	2,839,964	3,089,964	3,212,793	(122,829)
Health and human services	431,214	410,268	402,044	8,224
Culture and recreation	518,597	518,597	539,091	(20,494)
Employee benefits	6,827,839	6,819,977	6,576,862	243,115
Debt service	5,173,314	5,173,841	5,171,081	2,760
Intergovernmental	601,023	601,023	562,748	38,275
Other financing uses:				
Transfers out	310,000	610,000	610,000	-
Other uses	58,781	58,781	58,781	-
Total Expenditures	53,830,732	54,492,641	54,249,501	243,140
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,035,862	\$ 2,035,862

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities <u>Enterprise Funds</u>
	Water <u>Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,622,169
User fees, net of allowance for uncollectibles	1,250,199
Intergovernmental receivables	<u>6,000</u>
Total current assets	2,878,368
Noncurrent:	
Capital Assets:	
Land and construction in progress	827,766
Other assets, net of accumulated depreciation	<u>8,868,069</u>
Total noncurrent assets	9,695,835
DEFERRED OUTFLOWS OF RESOURCES	<u>60,628</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,634,831
LIABILITIES	
Current:	
Warrants payable	84,315
Accrued liabilities	7,771
Notes payable	6,000
Current portion of long-term liabilities:	
Bonds payable	494,700
Compensated absence	<u>6,231</u>
Total current liabilities	599,017
Noncurrent:	
Bonds payable, net of current portion	3,404,300
Compensated absence, net of current portion	118,380
Net OPEB obligation	975,449
Net pension liability	<u>1,311,096</u>
Total noncurrent liabilities	<u>5,809,225</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,408,242
NET POSITION	
Invested in capital assets, net of related debt	5,760,384
Unrestricted	<u>466,205</u>
TOTAL NET POSITION	<u>\$ 6,226,589</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 3,386,205
Other	<u>37,730</u>
Total Operating Revenues	3,423,935
Operating Expenses:	
Operating expenses	2,582,784
Depreciation	379,552
Employee benefits	<u>81,827</u>
Total Operating Expenses	<u>3,044,163</u>
Operating Income (Loss)	379,772
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	2,333
Investment income	289
Interest expense	<u>(162,425)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(159,803)</u>
Income (Loss) Before Transfers	219,969
Transfers:	
Transfers out	<u>(391,590)</u>
Change in Net Position	(171,621)
Net Position at Beginning of Year	<u>6,398,210</u>
Net Position at End of Year	<u><u>\$ 6,226,589</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,608,557
Payments to vendors and employees	<u>(2,669,066)</u>
Net Cash Provided By Operating Activities	939,491
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers out	<u>(391,590)</u>
Net Cash (Used For) Noncapital Financing Activities	(391,590)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(108,861)
Principal payments on bonds and notes	(525,000)
Interest expense	(162,425)
Intergovernmental subsidy	<u>2,333</u>
Net Cash (Used For) Capital and Related Financing Activities	(793,953)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>289</u>
Net Cash Provided By Investing Activities	<u>289</u>
Net Change in Cash and Short-Term Investments	(245,763)
Cash and Short-Term Investments, Beginning of Year	<u>1,867,932</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,622,169</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 379,772
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	379,552
Changes in assets and liabilities:	
User fees	184,622
Deferred outflows	(60,628)
Warrants and accounts payable	(76,562)
Accrued liabilities	(9,720)
Compensated absences	5,934
Accrued other post-employment	72,933
Net pension liability	<u>63,588</u>
Net Cash Provided By Operating Activities	<u>\$ 939,491</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 146,113	\$ 958,055
Accounts receivable	<u>-</u>	<u>36,938</u>
Total Assets	146,113	994,993
 <u>LIABILITIES AND NET POSITION</u>		
Warrants payable	-	26,166
Escrow deposits	<u>-</u>	<u>968,827</u>
Total Liabilities	<u>-</u>	<u>994,993</u>
 <u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>146,113</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 10,000
Interest income	14
Total additions	10,014
Deductions:	
Other	9,250
Total deductions	9,250
Net increase (decrease)	764
Net position:	
Beginning of year	145,349
End of year	\$ 146,113

The accompanying notes are an integral part of these 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 Town 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 2015, it was determined that no entities met the required GASB 14 (as amended) 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 Position and the Statement of Activities) 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 Town 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 Town 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.
- The Ambulance fund is used to track the activities related to providing ambulance services to the Town.

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.

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 2015 tax levy reflected an excess capacity of \$596,383.

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 Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five 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.

Capital assets are 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 Town’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 Position.

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 position”.

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., Town Meeting).
- 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 Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists 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 position is 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. The remaining net position is 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 appropriations as voted. Certain items may exceed the department 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)	\$ 53,295,205	\$ 53,695,969
Other financing sources/uses (GAAP basis)	<u>1,707,954</u>	<u>210,000</u>
Subtotal (GAAP Basis)	55,003,159	53,905,969
Adjust tax revenue to accrual basis	(216,593)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,121,891)
Add end-of-year appropriation carryforwards from expenditures	-	941,358
To record use of overlay surplus	200,000	-
To record use of free cash	1,378,386	-
To remove unbudgeted stabilization fund	(79,589)	400,000
Other timing issues	<u>-</u>	<u>124,065</u>
Budgetary basis	<u>\$ 56,285,363</u>	<u>\$ 54,249,501</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2015:

Special Revenue Funds:	
FEMA/FY15 Winter Storm	\$ (221,057)
FY14 BVP Grant	(9,938)
FFY 2013-2014 EMPG	(5,995)
2014-2015 HMEP	(1,128)
ECC FY15 911 EMD	(10,552)
ECC FY15 Support & Incentive	(37,153)
FY14 BVP	(9,938)
School Store	(834)
Capital Projects:	
Fire Breath Apparatus SCBA	(269,925)
Fire Portable Radio Equip	(115,049)
DPW 4X4 Pickup/Purch Equip	(37,745)
DPW 1 Ton Dump Truck Pur/Equ	(63,951)
DPW Large Dump Truck Purch/Equ	(156,526)
Energy Management Controls	(3,054)
Chapter 90	<u>(5)</u>
	<u>\$ (942,850)</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 for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a 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.

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, 2015, \$614,562 of the Town's bank balance of \$17,636,298 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>AA+</u>	<u>AA</u>	<u>A-</u>	<u>BBB+</u>
U.S. Treasury notes	\$ 126	N/A	\$ -	\$ 126	\$ -	\$ -	\$ -
Certificates of deposits	7,949		7,949	-	-	-	-
Corporate bonds	302		-	151	40	60	51
Mutual funds	2,505	N/A	2,505	-	-	-	-
Federal agency securities	<u>754</u>		<u>-</u>	<u>-</u>	<u>754</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 11,636</u>		<u>\$ 10,454</u>	<u>\$ 277</u>	<u>\$ 794</u>	<u>\$ 60</u>	<u>\$ 51</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>N/A</u>
U.S. Treasury notes	\$ 126	\$ -	\$ 126	\$ -
Certificates of deposit	7,949	7,814	135	-
Corporate bonds	302	101	201	-
Mutual funds	2,505	-	-	2,505
Federal agency securities	754	-	754	-
Total	<u>\$ 11,636</u>	<u>\$ 7,915</u>	<u>\$ 1,216</u>	<u>\$ 2,505</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, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 503	
2014	73	
2013	54	
2012	46	
2011	13	
2010	11	
2009	4	
2008	4	
Prior	<u>3</u>	
		711
Personal Property		
2015	28	
2014	11	
2013	5	
2012	4	
2011	5	
2010	<u>12</u>	
		65
Tax Liens		359
Deferred Taxes		<u>135</u>
Total		<u>\$ 1,270</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	\$ 245	\$ -
Excises	\$ 45	\$ -
Utilities	\$ -	\$ 79
Other	\$ 888	\$ -

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

8. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,198	\$ 203	\$ -	\$ 100,401
Machinery, equipment, and furnishings	3,329	385	-	3,714
Vehicles	6,838	220	-	7,058
Infrastructure	<u>26,895</u>	<u>2,073</u>	<u>-</u>	<u>28,968</u>
Total capital assets, being depreciated	137,260	2,881	-	140,141
Less accumulated depreciation for:				
Buildings and improvements	(24,625)	(2,304)	-	(26,929)
Machinery, equipment, and furnishings	(2,010)	(149)	-	(2,159)
Vehicles	(5,948)	(242)	-	(6,190)
Infrastructure	<u>(15,924)</u>	<u>(514)</u>	<u>-</u>	<u>(16,438)</u>
Total accumulated depreciation	<u>(48,507)</u>	<u>(3,209)</u>	<u>-</u>	<u>(51,716)</u>
Total capital assets, being depreciated, net	88,753	(328)	-	88,425
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Total capital assets, not being depreciated	<u>10,031</u>	<u>3</u>	<u>-</u>	<u>10,034</u>
Governmental activities capital assets, net	<u>\$ 98,784</u>	<u>\$ (325)</u>	<u>\$ -</u>	<u>\$ 98,459</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,415	\$ -	\$ -	\$ 6,415
Vehicles	24	66	-	90
Infrastructure	<u>12,120</u>	<u>43</u>	<u>-</u>	<u>12,163</u>
Total capital assets, being depreciated	18,559	109	-	18,668
Less accumulated depreciation for:				
Buildings and improvements	(1,976)	(136)	-	(2,112)
Vehicles	(7)	(12)	-	(19)
Infrastructure	<u>(7,437)</u>	<u>(231)</u>	<u>-</u>	<u>(7,668)</u>
Total accumulated depreciation	<u>(9,420)</u>	<u>(379)</u>	<u>-</u>	<u>(9,799)</u>
Total capital assets, being depreciated, net	9,139	(270)	-	8,869
Capital assets, not being depreciated:				
Land	828	-	-	828
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>828</u>	<u>-</u>	<u>-</u>	<u>828</u>
Business-type activities capital assets, net	<u>\$ 9,967</u>	<u>\$ (270)</u>	<u>\$ -</u>	<u>\$ 9,697</u>

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

Governmental Activities:	
General government	\$ 119
Public safety	344
Education	1,790
Public works	660
Culture and recreation	<u>296</u>
Total depreciation expense - governmental activities	<u>\$ 3,209</u>
Business-Type Activities:	
Water	<u>\$ 379</u>
Total depreciation expense - business-type activities	<u>\$ 379</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net difference between projected and actual pension investment earnings	\$ 1,151,933	\$ 60,628

10. Warrants Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015.

11. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2015:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/15</u>
Bond anticipation	0.00%	01/15/12	01/15/16	\$ 6,000
Bond anticipation	0.20%	08/19/14	09/11/15	1,476,698
Bond anticipation	0.00%	06/08/15	06/24/16	<u>826,757</u>
Total				<u>\$ 2,309,455</u>

The following summarizes activity in notes payable during fiscal year 2015:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
	\$ 13,585,000	\$ 2,303,455	\$ (13,579,000)	\$ 2,309,455
Total	<u>\$ 13,585,000</u>	<u>\$ 2,303,455</u>	<u>\$ (13,579,000)</u>	<u>\$ 2,309,455</u>

12. 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 6/30/15
<u>Governmental Activities:</u>			
General purpose refunding	05/15/17	2.00%	\$ 14,500
General purpose refunding	05/15/18	2.00%	60,000
Police station construction refunding	05/15/17	2.00%	350,500
General purpose	06/15/19	3.25-4.50%	40,000
General purpose	08/15/16	4.00%	145,000
General purpose	05/15/27	3.25-4.00%	1,720,000
General purpose	05/15/29	3.00%	15,430,000
School reconstruction refunding	05/15/21	4.50%	5,970,000
Library reconstruction refunding	05/15/21	4.50%	620,000
Septic betterment	08/01/18	0.00%	43,472
Landfill closure refunding	05/15/18	2.00%	230,000
General obligation loan	06/30/32	2.87%	11,970,000
General obligation loan	09/01/34	3.96%	10,810,000
Total Governmental Activities:			<u>\$ 47,403,472</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Business-Type Activities:</u>			
Stormwater management	08/01/22	3.00%	\$ 85,000
Well and mains refunding	06/30/15	2.00%	2,505,000
Plant construction and mains	06/15/24	3.25-4.80%	255,000
Water building and mains	08/15/16	4.00%	145,000
Plant and mains	05/15/27	3.25-4.00%	615,000
Alternative Energy	06/30/32	2.87%	294,000
Total Business-Type Activities:			<u>\$ 3,899,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,045,868	\$ 2,128,507	\$ 6,174,375
2017	4,050,868	1,741,856	5,792,724
2018	3,825,868	1,575,203	5,401,071
2019	3,790,868	1,416,163	5,207,031
2020	3,835,000	1,260,061	5,095,061
2021 - 2025	14,715,000	4,207,108	18,922,108
2026 - 2030	10,700,000	1,485,521	12,185,521
2031 - 2034	2,440,000	172,750	2,612,750
Total	<u>\$ 47,403,472</u>	<u>\$ 13,987,169</u>	<u>\$ 61,390,641</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 494,700	\$ 155,767	\$ 650,467
2017	504,700	135,440	640,140
2018	359,700	117,577	477,277
2019	359,700	102,544	462,244
2020	359,700	87,242	446,942
2021 - 2025	1,468,500	200,509	1,669,009
2026 - 2030	278,500	21,900	300,400
2031 - 2034	73,500	-	73,500
Total	\$ 3,899,000	\$ 820,979	\$ 4,719,979

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/14</u>	Additions	Reductions	Total Balance <u>6/30/15</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/15</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 39,994	\$ 10,810	\$ (3,401)	\$ 47,403	\$ (4,046)	\$ 43,357
Other:						
Compensated absences	3,358	168	-	3,526	(176)	3,350
Bond premium	1,508	1,212	(101)	2,619	(305)	2,314
Accrued other post-employment benefits	17,574	1,386	-	18,960	-	18,960
Net pension liability	23,703	1,208	-	24,911	-	24,911
Totals	\$ 86,137	\$ 14,784	\$ (3,502)	\$ 97,419	\$ (4,527)	\$ 92,892
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,130	\$ 294	\$ (525)	\$ 3,899	\$ (495)	\$ 3,404
Other:						
Compensated absences	119	6	-	125	(6)	119
Accrued other post-employment benefits	903	73	-	976	-	976
Net pension liability	1,247	64	-	1,311	-	1,311
Totals	\$ 6,399	\$ 437	\$ (525)	\$ 6,311	\$ (501)	\$ 5,810

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>			
	<u>Governmental</u>	<u>Governmental Funds</u>			
	<u>Activities</u>	<u>General Fund</u>	<u>Community Preservation Major</u>	<u>Ambulance Major</u>	<u>Nonmajor</u>
Unavailable revenues	\$ 39,452	\$ 1,318,329	\$ 13,675	\$ 1,121,700	\$ 172,446

14. Restricted Net Position

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

Permanent fund restricted net position is 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. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2015:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes

general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General Fund	High School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	-	166,460	166,460
Restricted						
Bonded projects	-	1,289,302	-	-	684,188	1,973,490
Debt service	2,108,983	-	-	-	-	2,108,983
Special revenue funds	-	-	-	1,791,339	5,175,934	6,967,273
Expendable permanent funds	-	-	-	-	91,944	91,944
Total Restricted	2,108,983	1,289,302	-	1,791,339	5,952,066	11,141,690
Committed						
Continued appropriations						
General government	563,707	-	-	-	-	563,707
Public safety	34,613	-	-	-	-	34,613
Education	14,111	-	-	-	-	14,111
Public works	157,200	-	-	-	-	157,200
Culture and recreation	4,060	-	-	-	-	4,060
OPEB stabilization	923,337	-	-	-	-	923,337
Capital stabilization	200,404	-	-	-	-	200,404
Community preservation	-	-	2,923,333	-	-	2,923,333
Total Committed	1,897,432	-	2,923,333	-	-	4,820,765
Assigned						
Encumbrances						
General government	29,224	-	-	-	-	29,224
Public safety	1,231	-	-	-	-	1,231
Education	84,611	-	-	-	-	84,611
Public works	51,294	-	-	-	-	51,294
Culture and recreation	364	-	-	-	-	364
Employee benefits	943	-	-	-	-	943
Reserved for expenditures	2,366,750	-	-	-	-	2,366,750
Total Assigned	2,534,417	-	-	-	-	2,534,417
Unassigned						
Special revenue funds	-	-	-	-	(296,595)	(296,595)
Capital projects	-	-	-	-	(646,255)	(646,255)
General stabilization	1,869,990	-	-	-	-	1,869,990
Unassigned	2,930,590	-	-	-	-	2,930,590
Total Unassigned	4,800,580	-	-	-	(942,850)	3,857,730
Total Fund Balances	\$ 11,341,412	\$ 1,289,302	\$ 2,923,333	\$ 1,791,339	\$ 5,175,676	\$ 22,521,062

16. 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 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	\$ 4,800,580
Stabilization fund	(1,869,990)
Tax refund estimate	<u>30,000</u>
Statutory (UMAS) Balance	<u>\$ 2,960,590</u>

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 Position 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, 2015, the actuarial valuation date, approximately 400 retirees and 561 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical 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 2015 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, 2015, 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, 2015.

Annual Required Contribution (ARC)	\$ 3,400,181
Interest on net OPEB obligation	822,217
Adjustment to ARC	<u>(876,472)</u>
Annual OPEB cost	3,345,926
Contributions made	<u>(1,887,273)</u>
Increase in net OPEB obligation	1,458,653
Net OPEB obligation - beginning of year	<u>18,476,790</u>
Net OPEB obligation - end of year	<u>\$ 19,935,443</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>
2015	\$ 3,345,926	56%	\$ 19,935,443
2014	\$ 5,118,809	33%	\$ 18,476,790
2013	\$ 4,806,263	31%	\$ 15,027,457

The Town's net OPEB obligation as of June 30, 2015 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, 2015, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 34,892
Less actuarial value of plan assets	<u>(29)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 34,863</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.09%</u>
Covered payroll (active plan members)	<u>\$ 35,989</u>
UAAL as a percentage of covered payroll	<u>96.9%</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 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, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 4.45% investment rate of return and an initial annual healthcare cost trend rate of between 2.61% and 6.69%, after the initial year trends start at 8% 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 24 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

19. **Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Plymouth County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publically available from the System located at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town payroll on January 1, 1978, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in

the fund. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2015 was \$2,637,067, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$26,221,911 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 4.498 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$2,711,776. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>1,212,561</u>
Total	\$ <u><u>1,212,561</u></u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 303,140
2017	303,140
2018	303,140
2019	<u>303,141</u>
Total	\$ <u><u>1,212,561</u></u>

Actuarial assumptions: The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3% of the first \$13,000
Salary increases	3.75% per year, including longevity
Investment rate of return	8%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with a scale AA and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	25.50%	7.90%
Domestic equity	33.00%	10.20%
International equity	16.00%	11.00%
Real estate	13.00%	9.30%
Private equity	7.50%	14.60%
Hedge funds	4.00%	8.70%
Cash and cash equivalents	1.00%	4.00%

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active

and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
6/30/2015	\$ 22,944,172	\$ 26,221,911	\$ 29,499,650

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

20. Massachusetts Teachers’ Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 meas-

urement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year</u> <u>Ended</u>	<u>1% Decrease</u> <u>to 7%</u>	<u>Current Discount</u> <u>Rate 8%</u>	<u>1% Increase</u> <u>to 9%</u>
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$46,627,648 and \$3,239,446 respectively, based on a proportionate share of .293323%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

21. 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 Town 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.

22. Beginning Net Position Restatement and Reclassification

The beginning (July 1, 2014) net position of the Town has been restated and reclassified as follows:

Government-Wide Financial Statements:

	Governmental Activities	Business- Type Activities Enterprise Funds Water Fund
As previously reported	\$ 53,768,732	\$ 7,807,451
To reclass water special revenue to enterprise	11,724	(11,724)
To reclass fixed assets	150,011	(150,011)
GASB 68 implementation	<u>(23,702,644)</u>	<u>(1,247,506)</u>
As restated	<u>\$ 30,227,823</u>	<u>\$ 6,398,210</u>

Fund Basis Financial Statements:

	Road Reconstruction Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Fund
As previously reported	\$ (2,167,702)	\$ -	\$ -	\$ 8,771,022
To reclass Community Preservation to major	-	2,420,105	-	(2,420,105)
To reclass Ambulance to major	-	-	1,417,424	(1,417,424)
To reclass Road Reconstruction to nonmajor	2,167,702	-	-	(2,167,702)
To reclass septic to water enterprise	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,724</u>
As restated	<u>\$ -</u>	<u>\$ 2,420,105</u>	<u>\$ 1,417,424</u>	<u>\$ 2,777,515</u>

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

June 30, 2015

(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]
01/01/15	\$ 29	\$ 34,892	\$ 34,863	0.09%	\$ 35,989	96.9%
01/01/11	\$ -	\$ 47,798	\$ 47,798	0.00%	\$ 28,675	166.7%
07/01/08	\$ -	\$ 33,604	\$ 33,604	0.00%	\$ 24,891	135.0%

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)

<u>Plymouth County Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	4.498%
Proportionate share of the net pension liability for the most recent measurement date	\$ 26,221,911
Covered-employee payroll for the most recent measurement date	\$ 12,506,349
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.67%
Plan fiduciary net position as a percentage of the total pension liability	58.88%
 <u>Massachusetts Teachers' Retirement System:</u>	
Proportion of the net pension liability for the most recent measurement date	0.293323%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>46,627,648</u>
Total net pension liability associated with the Town	<u>\$ 46,627,648</u>
Covered-employee payroll for the most recent measurement date	\$ 17,985,082
The Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

Schedules are intended to show information for 10 years. Additional years will be

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS

SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015
(Unaudited)

<u>Plymouth County Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 2,637,067
Contributions in relation to the contractually required contribution	<u>(2,637,067)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 12,506,349
Contributions as a percentage of covered-employee payroll	21.09%

Schedules are intended to show information for 10 years. Additional years will be

See Independent Auditors' Report.



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(Date of Delivery)

Janine Smith, Finance Director
Town of Hanover
Hanover, Massachusetts

\$14,675,000
Town of Hanover, Massachusetts
General Obligation Refunding Bonds
Dated June 24, 2016

We have acted as bond counsel to the Town of Hanover, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon

be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

/s/ LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Hanover, Massachusetts (the “Issuer”) in connection with the issuance of its \$14,675,000 General Obligation Refunding Bonds dated June 24, 2016 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated June 16, 2016 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
 13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: June 24, 2016

TOWN OF HANOVER,
MASSACHUSETTS

By _____
Treasurer

Selectmen

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]