

RULE 15c2-12 FILING COVER SHEET

This cover sheet is sent with all submissions to the Municipal Securities Rulemaking Board (the Nationally Recognized Municipal Securities Information Repository) and any applicable State Information Depository pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12 or any analogous state statute.

Issuer Name: Town of Hanover, Massachusetts

Issue(s):

\$	6,100,000	General Obligation Bonds, Dated 6/15/04
\$	2,675,000	General Obligation Bonds, Dated 8/15/06
\$	4,210,000	General Obligation Municipal Purpose Loan of 2008 Bonds, Dated 5/15/08
\$	20,000,000	General Obligation Municipal Purpose Loan of 2009 Bonds, Dated 5/15/09
\$	12,770,000	General Obligation Series 2010 Refunding Bonds, Dated 3/1/10
\$	15,635,000	General Obligation Municipal Purpose Loan of 2011 Bonds, Dated 9/14/11
\$	10,810,000	General Obligation Municipal Purpose Loan of 2014 Bonds, Dated 9/11/14

Filing Format electronic paper; If available on the Internet, give URL: _____

CUSIP Numbers to which the information filed relates (optional):

Nine-digit number(s) (see following page(s)):

Six-digit number if information filed relates to all securities of the issuer

* * *

Financial & Operating Data Disclosure Information

Annual Financial Report or CAFR

Financial Information & Operating Data

Other (describe) _____

Fiscal Period Covered: FYE 2015

Monthly Quarterly Annual Other: _____

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Janine Smith

Name: Janine Smith Title: Finance Director

Employer: Town of Hanover, Massachusetts

Voice Telephone Number: (781) 826-5498

Email Address: janine.smith@hanover-ma.gov

DESCRIPTION OF ISSUES COVERED BY THIS REPORT

General Obligation Bonds, Dated 6/15/04

Date	Principal	CUSIP
06/15/16	\$ 290,000	411018 LM4
06/15/17	290,000	411018 LN2
06/15/18	290,000	411018 LP7
06/15/19	290,000	411018 LQ5
06/15/20	280,000	411018 LR3
06/15/21	280,000	411018 LS1
06/15/22	275,000	411018 LT9
06/15/23	275,000	411018 LU6
06/15/24	275,000	411018 LV4
	<u>\$ 2,545,000</u>	

General Obligation Bonds, Dated 8/15/06

Date	Principal	CUSIP
08/15/16	\$ 200,000	411018 MJ0
	<u>\$ 200,000</u>	

General Obligation Municipal Purpose Loan of 2008 Bonds, Dated 5/15/08

Date	Principal	CUSIP
05/15/16	\$ 220,000	411018MT8
05/15/17	210,000	411018MU5
05/15/18	155,000	411018MV3
05/15/19	145,000	411018MW1
05/15/20	145,000	411018MX9
05/15/24	570,000	411018NB6
05/15/27	420,000	411018NE0
	<u>\$ 1,865,000</u>	

General Obligation Municipal Purpose Loan of 2009 Bonds, Dated 5/15/09

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
05/15/16	\$ 860,000	411018NM2
05/15/17	895,000	411018NN0
05/15/18	930,000	411018NP5
05/15/19	970,000	411018NQ3
05/15/20	1,010,000	411018NR1
05/15/21	1,045,000	411018NS9
05/15/22	1,090,000	411018NT7
05/15/23	1,135,000	411018NU4
05/15/24	1,180,000	411018NV2
05/15/25	1,160,000	411018NW0
05/15/26	1,210,000	411018NX8
05/15/27	1,260,000	411018NY6
05/15/28	1,315,000	411018NZ3
05/15/29	1,370,000	411018PA6
	<u>\$ 15,430,000</u>	

General Obligation Series 2010 Refunding Bonds, Dated 3/1/10

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
05/15/16	\$ 1,310,000	411018PG3
05/15/17	1,335,000	411018PH1
05/15/18	1,190,000	411018PJ7
05/15/19	1,125,000	411018PK4
05/15/20	1,150,000	411018PL2
05/15/21	1,130,000	411018PM0
	<u>\$ 7,240,000</u>	

General Obligation Municipal Purpose Loan of 2011 Bonds, Dated 9/14/11

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
05/15/16	\$ 980,000	411018PT5
05/15/17	945,000	411018PU2
05/15/18	945,000	411018PV0
05/15/19	945,000	411018PW8
05/15/20	945,000	411018PX6
05/15/21	880,000	411018PY4
05/15/22	875,000	411018PZ1
05/15/23	875,000	411018QA5
05/15/24	875,000	411018QB3
05/15/25	815,000	411018QC1
05/15/26	695,000	411018QD9
05/15/27	485,000	411018QE7
05/15/28	485,000	411018QF4
05/15/29	485,000	411018QG2
05/15/30	470,000	411018QH0
05/15/31	445,000	411018QJ6
05/15/32	445,000	411018QK3
	<u>\$ 12,590,000</u>	

General Obligation Municipal Purpose Loan of 2014 Bonds, Dated 9/11/14

<u>Date</u>	<u>Principal</u>	<u>CUSIP</u>
09/01/16	\$ 645,000	411018QR8
09/01/17	640,000	411018QS6
09/01/18	640,000	411018QT4
09/01/19	640,000	411018QU1
09/01/20	640,000	411018QV9
09/01/21	640,000	411018QW7
09/01/22	640,000	411018QX5
09/01/23	640,000	411018QY3
09/01/24	640,000	411018QZ0
09/01/25	635,000	411018RA4
09/01/26	635,000	411018RB2
09/01/27	635,000	411018RC0
09/01/28	635,000	411018RD8
09/01/29	310,000	411018RE6
09/01/30	310,000	411018RF3
09/01/31	310,000	411018RG1
09/01/32	310,000	411018RH9
09/01/33	310,000	411018RJ5
09/01/34	310,000	411018RK2
	<u>\$ 10,165,000</u>	

CONTINUING DISCLOSURE REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2015

TOWN OF HANOVER, MASSACHUSETTS

GENERAL OBLIGATION DEBT



FINANCIAL STATEMENTS

The audited financial statements for the Town for the fiscal year ended June 30, 2015 are being separately filed directly with the Nationally Recognized Municipal Securities Information Repository and any applicable State Information Depository, and are hereby incorporated by reference into this Annual Continuing Disclosure Report.

SIGNATURE OF ISSUER

The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a promise or guarantee. This Annual Continuing Disclosure Report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of this Annual Continuing Disclosure Report will not, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described.

TOWN OF HANOVER, MASSACHUSETTS

/s/ Janine Smith

Janine Smith

Finance Director

Approved for Submission:

03/22/2016

Date

CERTIFICATE OF SUBMISSION OF ANNUAL REPORT

Subject to the continuing disclosure requirements of SEC Rule 15c2-12, this Annual Continuing Disclosure Report for the Town of Hanover, Massachusetts with respect to the issues listed on the report cover was submitted directly to the National Recognized Municipal Securities Information Repository ("NRMSIR") listed below as well as to any applicable State Information Depository ("SID").

NRMSIR

Municipal Securities Rulemaking Board ("MSRB")
via the Electronic Municipal Market Access ("EMMA") system

FirstSouthwest, a Division of Hilltop Securities Inc.

Signed by:

/s/ Henriqueta Da Costa

Annual Report

TOWN OF HANOVER, MASSACHUSETTS

**For The Fiscal Year Ended
June 30, 2015**

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

Filing Date: March 26, 2016

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	Joseph Salvucci	Elected	2016
Selectman	Robert S. O'Rourke	Elected	2017
Selectman	David Delaney	Elected	2018
Town Manager	Troy B.G. Clarkson	Appointed	2016
Director of Finance	Janine Smith	Appointed	2016
Acting Treasurer/Collector	Janine Smith	Appointed	2016
Town Clerk	Catherine Harder-Bernier	Elected	2016
Town Counsel	James A. Toomey	Appointed	Indefinite

Municipal Services

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

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

Education

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

PUBLIC SCHOOL ENROLLMENTS
(as of October 1)

	Actual					
	2010	2011	2012	2013	2014	2015
Elementary	1,073	1,049	1,030	965	921	958
Middle School	913	913	897	934	878	821
High School	699	696	775	780	791	816
Totals	<u>2,685</u>	<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 a 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 had 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 the planning process to update the community's master plan. This public process will be used to envision and outline Hanover's future decades regarding 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 a 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 as completed in 2012 to ease traffic flow north along Route 53. While the third phase to implement a middle turning 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 Planning Board approved 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 completed 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 use 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 their 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 the 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 as Barstow Village, 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 owner 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 forecasted that more than \$100 million of new construction to 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.

<u>Name</u>	<u>Product/Function</u>	<u>Approximate No. of Employees</u>
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		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

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

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training, in November 2015, the Town had a total labor force of 7,452 of which 7,180 were employed and 272 or 3.7% were unemployed as compared with 4.7% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2010 through 2014 and the unemployment rate for the Commonwealth and United States as a whole for the same period.

UNEMPLOYMENT RATES

<u>Year</u>	<u>Town of Hanover</u>		<u>Commonwealth</u>	<u>United States</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
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
2010	7,595	7.2	8.4	9.4

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 2015. 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		
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

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.

	Hanover	Massachusetts	United States
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	\$54,974,075	\$55,922,763	\$57,315,304	\$59,046,245	\$64,335,725
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	20,875,315	19,923,353	20,359,336	20,371,883	22,830,323
Net Amount to be Raised (Tax Levy)	\$34,098,760	\$35,999,410	\$36,955,968	\$38,674,362	\$41,505,402

- (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 22016015. 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	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2015	\$38,674,362	\$454,897	\$38,219,465	\$32,133,408	84.1 %	\$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.

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.

Fiscal Year	Total Tax Titles and Possessions	Total Realized Through Sale of Tax Title Property and Tax Title Redemption
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.

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).

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 2012 through 2016 as voted by the Annual Town Meetings. Said budgets exclude Mandatory Items (see above) and expenditures for "non-operating" or extraordinary items authorized under "separate" warrant articles.

BUDGET COMPARISON

	<u>Fiscal 2012 (4)</u>	<u>Fiscal 2013</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>
General Government	\$1,332,931	\$1,330,746	\$1,404,732	\$1,129,510	\$1,118,635
Public Safety	5,579,627	5,600,064	5,882,893	6,111,530	6,300,486
Schools	24,194,615	22,825,413	23,410,430	24,811,828	25,662,155
Public Works(1)	6,212,045	8,802,756	9,112,907	6,240,044	6,539,121
Community Services (2)	1,455,331	1,465,545	1,547,735	1,585,981	1,686,329
Debt & Interest	4,737,022	5,207,586	5,199,087	5,173,314	5,872,705
Unclassified(3)	6,746,608	6,987,684	6,910,694	6,987,337	7,274,455
Pension	0	0	0		
Total Expenditures	<u>\$50,258,179</u>	<u>\$52,219,794</u>	<u>\$53,468,478</u>	<u>\$52,039,544</u>	<u>\$54,453,886</u>

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- (1) Includes transfer station and water department operations & related debt service.
 - (2) Includes library and council on aging.
 - (3) Includes insurance and other employee benefits.
 - (4) Beginning in fiscal 2013, school maintenance facilities is classified under DPW.

Revenues

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

State Aid Distributions: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the

major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate in fiscal 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.

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 Annual Report 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 (draft), 2014, 2013 and 2012 and Statements of Revenues, Expenditures and Changes in Fund Balance for fiscal year 2015 (draft) through 2010. Said statements were extracted from the Town's audited financials, with the exception of fiscal year 2015 which are draft and subject to revision and change.

**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 unaudited financial statements of the Town, subject to revision and change.

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
Balance Sheet - Governmental Funds
June 30, 2012 (1)

	General Fund	High School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short term investments	\$ 1,535,886	\$ -	\$ 3,000,583	\$ 6,304,258	\$ 10,840,727
Investments	10,175,739	1,663,962	-	451,264	12,290,965
Receivables:					
Property taxes	922,509	-	-	-	922,509
Excises	201,519	-	-	6,838	208,357
Departmental and other	-	-	5,453	678,067	683,520
Due from other governments	-	1,190,002	-	1,978,890	3,168,892
Total assets	<u>\$ 12,835,653</u>	<u>\$ 2,853,964</u>	<u>\$ 3,006,036</u>	<u>\$ 9,419,317</u>	<u>\$ 28,114,970</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 262,013	\$ 220,643	\$ 52,971	\$ 273,523	\$ 809,150
Tax paid in advance	52,849	-	-	-	52,849
Deferred revenues	1,006,603	1,190,002	-	2,432,402	4,629,007
Tax refunds payable	67,000	-	-	-	67,000
Notes payable	-	8,500,000	-	300,000	8,800,000
Other liabilities	1,067,982	-	5,453	210,527	1,283,962
Total liabilities	<u>2,456,447</u>	<u>9,910,645</u>	<u>58,424</u>	<u>3,216,452</u>	<u>15,641,968</u>
Fund balances:					
Nonspendable	-	-	-	166,460	166,460
Restricted	1,299,760	-	-	6,111,757	7,411,517
Committed	2,926,055	-	2,947,612	-	5,873,667
Assigned	2,460,653	-	-	-	2,460,653
Unassigned	3,692,738	(7,056,681)	-	(75,352)	(3,439,295)
Total fund balances	<u>10,379,206</u>	<u>(7,056,681)</u>	<u>2,947,612</u>	<u>6,202,865</u>	<u>12,473,002</u>
Total liabilities and fund balances	<u>\$ 12,835,653</u>	<u>\$ 2,853,964</u>	<u>\$ 3,006,036</u>	<u>\$ 9,419,317</u>	<u>\$ 28,114,970</u>

(1) Extracted from the audited financial statements.

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 unaudited financial statements of the Town, subject to revision and change.

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	<u>\$ 56,005,893</u>	<u>\$ 813,302</u>	<u>\$ -</u>	<u>\$ 6,766,237</u>	<u>\$ 63,585,432</u>
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	<u>57,606,846</u>	<u>35,760</u>	<u>2,073,860</u>	<u>6,062,317</u>	<u>65,778,783</u>
Excess Revenues Over (Under) Expenditures	<u>(1,600,953)</u>	<u>777,542</u>	<u>(2,073,860)</u>	<u>703,920</u>	<u>(2,193,351)</u>
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)	<u>1,219,232</u>	<u>-</u>	<u>-</u>	<u>(860,493)</u>	<u>358,739</u>
Change in Fund Balance	<u>(381,721)</u>	<u>777,542</u>	<u>(2,073,860)</u>	<u>(156,573)</u>	<u>(1,834,612)</u>
Fund Equity, at Beginning of Year	<u>10,625,943</u>	<u>(7,712,232)</u>	<u>(93,842)</u>	<u>8,927,595</u>	<u>20,675,049</u>
Fund Equity, at End of Year	<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>

(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	<u>\$10,379,206</u>	<u>\$ (7,056,681)</u>	<u>\$ 2,947,612</u>	<u>\$ 6,202,865</u>	<u>\$ 12,473,002</u>

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

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

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

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

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

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	\$4,800,500 (est.)	\$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>
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.

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
As of June 30, 2015 (1)**

General Obligation Bonds:		
Sewer	\$14,500	
Water (2)	2,905,000	
Schools (3)	32,165,000	
MCWT (4)	422,472	
General (5)	15,795,500	
Total Long Term Outstanding	\$51,302,472	\$51,302,472
Short Term Debt:		
Bond Anticipation Notes Outstanding (6)	1,476,698	
Bond Anticipation Notes (7)	826,757	
Total Short Term Outstanding	2,303,455	2,303,455
Total Direct Debt	\$53,605,927	\$53,605,927

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
(2) Supported by the water enterprise fund. \$2,720,000 is outside the Town's debt limit.
(3) \$31,480,000 is exempt from the provisions of Proposition 2 ½. \$6,210,000 is outside the Town's debt limit. As of June 30, 2015, the Town is expecting to receive \$5,331,492 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. \$337,472 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
(5) \$11,035,500 has been excluded from the provisions of Proposition 2 ½. \$225,000 is outside the Town's debt limit.
(6) Payable September 11, 2015.
(7) Payable June 24, 2016.

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
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

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 As of June 30, 2015 (1)

Fiscal Year	Sewer	Water (2)	School (3)	MCWT (4)	General (5)	Total	Cummulative Percentage Retired
2016	\$ 10,000	\$ 425,000	\$ 2,425,000	\$ 35,568	\$ 1,645,000	\$ 4,540,568	8.9 %
2017	4,500	435,000	2,480,000	35,568	1,600,500	4,555,568	17.7
2018	-	290,000	2,485,000	35,568	1,375,000	4,185,568	25.9
2019	-	290,000	2,530,000	35,568	1,295,000	4,150,568	34.0
2020	-	290,000	2,590,000	24,700	1,290,000	4,194,700	42.2
2021	-	290,000	2,655,000	24,700	1,175,000	4,144,700	50.2
2022	-	285,000	1,615,000	24,700	1,125,000	3,049,700	56.2
2023	-	285,000	1,650,000	29,700	1,130,000	3,094,700	62.2
2024	-	285,000	1,690,000	14,700	1,135,000	3,124,700	68.3
2025	-	10,000	1,725,000	14,700	1,020,000	2,769,700	73.7
2026	-	10,000	1,770,000	14,700	900,000	2,694,700	79.0
2027	-	10,000	1,810,000	14,700	700,000	2,534,700	83.9
2028	-	-	1,815,000	14,700	620,000	2,449,700	88.7
2029	-	-	1,865,000	14,700	625,000	2,504,700	93.6
2030	-	-	710,000	14,700	70,000	794,700	95.1
2031	-	-	710,000	14,700	45,000	769,700	96.6
2032	-	-	710,000	14,700	45,000	769,700	98.1
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	\$ 14,500	\$ 2,905,000	\$ 32,165,000	\$ 422,472	\$ 15,795,500	\$ 51,302,472	

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
- (2) Supported by the water enterprise fund. \$2,720,000 is outside the Town's debt limit.
- (3) \$31,480,000 is exempt from the provisions of Proposition 2 ½. \$6,210,000 is outside the Town's debt limit. As of June 30, 2015, the Town is expecting to receive \$5,331,492 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. \$337,472 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
- (5) \$11,035,500 has been excluded from the provisions of Proposition 2 ½. \$225,000 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 AS OF JUNE 30, 2015

Fiscal Year	Outstanding (1)		SRF Subsidy	MSBA Subsidy	Total Net Debt Service
	Principal	Interest			
2016	\$4,540,568	\$2,285,507	(\$6,934)	(\$888,582)	\$5,930,560
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	\$51,302,472	\$14,809,925	\$(39,418)	\$(5,331,492)	\$60,741,486

(1) \$42,852,972 in principal and \$13,006,721 in interest is exempt from Proposition 2 ½.

Authorized Unissued Debt

The Town currently has \$12,541,517 in authorized unissued debt for various projects. \$10,333,517 is for construction of a new High School, \$873,000 is for various equipment purchases and the balance for other various municipal purposes. The High School project has been approved by the Massachusetts School Building Authority (MSBA) for construction grants equal to approximately 48.2% of eligible project costs. The Town issued bonds and notes for \$31,000,000 for the project and has received approximately \$20,833,483 in grant payments to date. This issue of Notes is expected to be retired with the final grant payment from the MSBA for the High School project.

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.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>Hanover's Estimated Share (1)</u>	<u>Fiscal 2016 Dollar Assessment (2)</u>
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. The most significant of these is a contract with Cassella for waste collection and disposal. The contract expired on June 30, 2015. Under MGL Ch. 30B, the Town has decided not to renew its contract because of market changes and volatility.

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, the Mayflower Municipal Health Group. The Health Group has not conducted the required actuarial valuation. The Town performed an actuarial study as of January 1, 2011 that estimated the unfunded liability at approximately \$47.8 million with an annual required contribution (ARC) of approximately \$4.2 million (using a 4.25% earnings assumption). The Town voted to fund the OPEB liability trust fund with meals tax receipts. The balance in the fund as of June 30, 2013 was \$257,667. 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, 2015 was \$930,371.

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

March 26, 2016