

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 9, 2017

**Rating:
Moody's Investors Service:**

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. The Notes will not be designated "qualified tax-exempt obligations" for purposes of Section 265(b)(2) of the Code. See "Tax Exemption" herein.

**TOWN OF HANOVER, MASSACHUSETTS
\$14,525,185 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

The Town of Hanover, Massachusetts (the "Town") will receive telephone and electronic bids at FirstSouthwest, a Division of Hilltop Securities Inc. (617-619-4400) in case of telephone bids and via PARITY in case of electronic bids until 11:30 A.M., Local Time, Wednesday, June 14, 2017, for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$14,525,185 General Obligation Bond Anticipation Notes (new and renewals) dated June 23, 2017 and payable June 22, 2018. Interest will be computed on a 30 day month, 360-day year basis (359/360).

Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale until 11:30 A.M., Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact FirstSouthwest, a Division of Hilltop Securities Inc., or **PARITY** at (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to FirstSouthwest, a Division of Hilltop Securities Inc. by not later than 12:30 p.m. Eastern Time, on the date of sale.

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

The Notes will be awarded on the basis of lowest net interest cost to the Town. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from June 23, 2017 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of notes than bid, the premium shall be reduced proportionately. Bids may be for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%). No bid of less than par and accrued interest to date of delivery will be considered. **Bids must include a premium of at least \$1.75 must be included for each \$1,000 bid.** The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid.

A successful bidder for all of the Notes may request that the Notes be issued in the form of one fully registered physical certificate, rather than in book-entry form through the facilities of The Depository Trust Company ("DTC"). The successful bidder seeking the issuance of the Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have the Notes issued in the form of fully registered physical certificates, rather than in book-entry form, shall

indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

The successful bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering price to the public or the actual sale price of the Notes, together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by FirstSouthwest, a Division of Hilltop Securities Inc. (“Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Notes to the bidder who submitted a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by facsimile or email to the Financial Advisor 617.619.4411, and affirming in writing via email or facsimile, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Notes, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Notes, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Notes to the public.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Notes to the Public. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the Town will use the first price at which 10% of the Notes (the “10% test”) is sold to the public as the issue price of the Notes. The successful bidder shall advise the Financial Advisor if the 10% test is satisfied as of the date and time of the award of the Notes. The Town will not require bidders to comply with the “hold-the-offering-price rule” set forth in the applicable Treasury Regulations and therefore does not intend to use the initial offering price to the public as of the Sale Date as the issue price of the Notes if the competitive sale requirements are not met. If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to Notes or all of the Notes are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Notes have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The successful bidder shall be obligated to report each sale of Notes to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement

(to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes or all of the Notes have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Notes or that all of the Notes have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public), and
3. a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Does Not Intend to Reoffer the Notes to the Public. If the competitive sale requirements are not met and the successful bidder does not intend to reoffer the Notes to the public, the Town shall treat the Notes as sold in a private placement and shall treat the amount bid as the issue price.

Principal of and interest on the Notes will be payable upon maturity in federal reserve funds at U.S. Bank National Association, Boston, Massachusetts. The Notes will not be subject to redemption prior to maturity. The Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000, or integral multiples thereof, with an exception of one \$1,185 denomination, and transfer of the Notes on the records of DTC pursuant to the rules and procedures adopted by DTC, unless the issuance of a fully registered certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See Preliminary Official Statement, “Book-Entry-Transfer System”).

The purchaser(s) will be furnished the opinion of Locke Lord LLP, Boston, Massachusetts approving the legality of the Notes (see "Tax Exemption" in the Preliminary Official Statement) and stating that they are valid and binding general obligations of the Town of Hanover, Massachusetts, and unless paid from the bond proceeds in anticipation of which they are issued or from any other available moneys, the principal of and interest on the Notes are payable from taxes which may be levied upon all taxable property in the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest that the Town has voted to exempt from the limit imposed by Chapter 29, Section 21C of the General Laws (Proposition 2 ½), and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

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

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

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

The Notes will be delivered to DTC, or to the office of its custodial agent, or to the registered owner if a fully registered certificate is requested by the winning bidder and approved by the Town, on or about June 23, 2017 against payment to the Town in federal reserve funds.

Additional information concerning the Town and the Notes is contained in the Preliminary Official Statement dated June 8, 2017 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes, and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, 5 copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

TOWN OF HANOVER, MASSACHUSETTS
/s/ Chelsea Stevens, Acting Finance Director & Town Accountant

June 8, 2017

[To Be Used if the Competitive Sale Requirement is Met]

\$14,525,185
Town of Hanover, Massachusetts
General Obligation Bond Anticipation Notes

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the “Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Notes”) of the Town of Hanover, Massachusetts (the “Issuer”).

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Underwriter are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Notes used by the Underwriter in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Notes.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.*

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Notes. The Sale Date of the Notes is June 14, 2017.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or

* Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase notes. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: June 23, 2017

[UNDERWRITER]

By: _____

Name:

Title:

MODEL ISSUE PRICE DOCUMENTATION REPORT

SCHEDULE A

EXPECTED OFFERING PRICES

(to be attached)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(To be Attached)

**[To Be Used If the Competitive Sale Requirements Are Not Met
and the Hold the Price Rule Is Not Imposed]**

\$14,525,185

**Town of Hanover, Massachusetts
General Obligation Bond Anticipation Notes**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of _____ (the (“[Underwriter][Representative]”)[, on behalf of itself and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”).

1. Sale of the Notes. As of the date of this certificate, [except as set forth in paragraph 2 below,] [the first price at which at least 10% of the Notes was sold to the Public is ____%][all of the Notes were sold at the prices set forth in Exhibit A hereto] **ONLY USE THE SECOND CHOICE IF LESS THAN 10% OF THE NOTES WERE SOLD AT A SINGLE PRICE.**

[Only use the next paragraph if the 10% test has not been met or all of the Notes have not been sold as of the Closing Date.]

2. Until the 10% test has been satisfied for the Notes or all of the Notes are sold to the Public, the [Underwriter][Representative] agrees to promptly report to the Issuer’s financial advisor, _____ (the “Financial Advisor”), the prices at which the Notes have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The [Underwriter][Representative] shall continue to report each sale of Notes to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

3. Defined Terms.

(a) Issuer means the NAME OF ISSUER.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Underwriter’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 20__

[UNDERWRITER] [REPRESENTATIVE]

By: _____

Name:

Title:

EXHIBIT A

If less than 10% of the Notes have been sold at a single price as of the Closing Date, but all of the Notes have been sold as of the Closing Date at a variety of prices, attach a list of the prices at which the Notes were sold as of the Closing Date. In that highly unlikely scenario, the issue price of the Notes will be the average sales price.

**OFFICIAL STATEMENT
TOWN OF HANOVER, MASSACHUSETTS
\$14,525,185 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Hanover, Massachusetts (the "Town") in connection with the sale of \$14,525,185 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

The Notes

The Notes will be dated June 23, 2017 and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on June 22, 2018. The Notes will bear interest payable at maturity, calculated on the basis of 30 day months and on a 360 day-year (359/360), at the rate or rates determined upon their sale in accordance with the Notice of Sale dated June 8, 2017. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with the exception of one \$1,185 denomination, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry-Transfer System," herein.)

Authorization of the Notes and Use of Proceeds

The following table sets forth the principal amounts, purposes, statutory references and other relevant details for the Notes.

This Issue	Purpose	Original Bond Authorization	Bond Anticipation Notes Outstanding	M.G.L. Chapter 44, Section	Date of Authorization
\$ 269,925	Fire Department Breathing Apparatus	\$ 275,000	\$ 269,925 (2)	7(9)	5/6/14, art.28
120,249	Fire Department Portable Radio Equipment	130,000	120,249 (2)	7(9)	5/6/14, art.29
37,750	Pickup Truck	38,000	37,750 (2)	7(9)	5/6/14, art.34
63,951	Dump Truck	70,000	63,951 (2)	7(9)	5/6/14, art.35
156,526	Larger Dump Truck	170,000	156,526 (2)	7(9)	5/6/14, art.36
80,954	Elementary/Middle School HVAC Systems	120,000	80,954 (2)	7(3B)	5/6/14, art.45
255,085	Sylvester School Feasibility Study	500,000	475,059 (3)	7(21)	5/6/14, art.48
133,745	Fire Department Generator Replacement	140,000	133,745 (2)	7(9)	5/12/14, art.54
50,000	Fire Headquarters Renovation	50,000	50,000 (2)	7(3A)	5/12/14, art.57
12,000,000	Sylvester School Renovations	32,446,161 (1)		M.G.L.c.70B	9/26/16, art.2
500,000	Fire Truck	500,000		7(1)	5/5/15, art. 36
157,000	DPW Large Dump Truck	190,000		7(1)	5/5/15, art. 24
140,000	DPW Multi-Tool Tractor	140,000		7(1)	5/5/15, art.25
170,000	DPW Large Dump Truck	190,000		7(1)	5/2/16, art. 25
250,000	Vacuum Sweeper Truck	250,000		7(1)	5/2/16, art. 26
140,000	Water Treatment Plant	1,519,200		8(7A)	5/2/16, art. 29
<u>\$ 14,525,185</u>			<u>\$ 1,388,159</u>		

(1) The Town voted to exempt this authorization from the limitations of Proposition 2 ½. The Town also expects to receive approximately 53.70% reimbursement on eligible project costs from the Massachusetts School Building Authority (MSBA), of which \$735,518 has been received to date.

(2) This issue will renew a like amount of bond anticipation notes maturing on June 23, 2017.

(3) This issue, along with \$219,974 of Massachusetts School Building Authority reimbursements, will retire a like amount of bond anticipation notes maturing June 23, 2017.

Tax Exemption

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

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

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

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

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

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

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Note being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Note from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including

amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

Book-Entry Transfer System

This section applies only to the Notes only if they are issued in book-entry form through the facilities of The Depository Trust Company ("DTC"), New York, NY.

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

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

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

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

such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

Security and Remedies

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

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

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

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for

borrowing to pay judgments, subject to the General Debt Limit. (See “DEBT LIMITS” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts community preservation and affordable housing and related purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

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

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

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

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

Opinion of Bond Counsel

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

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

Bank Eligibility

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

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

FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town of Hanover, Massachusetts.

Disclosure of Significant Events

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

Other than the Town, there are no obligated persons with respect to the Notes within the meaning of the Rule.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

In the past five years the Town believes it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF HANOVER, MASSACHUSETTS

General

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

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

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

Principal Town Officials

<u>Town Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectman, Acting Chair	Brian E. Barthelmes	Elected	2018
Selectman	Joceyln Keegan	Elected	2020
Selectman	John C. Tuzik	Elected	2019
Selectman	Emanuel Dockter	Elected	2020
Selectman	David Delaney	Elected	2018
Town Manager	Troy B.G. Clarkson	Appointed	2018
Interim Director of Finance	Chelsea Stevens	Appointed	TBD
Interim Treasurer/Collector	Eric Kinsherf	Appointed	TBD
Town Clerk	Catherine Harder-Bernier	Elected	2019
Town Counsel	Lauren C. Galvin	Appointed	Indefinite

Municipal Services

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

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

Education

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

Following is a table setting forth actual and projected enrollments in the Town's schools.

**PUBLIC SCHOOL ENROLLMENTS
(as of October 1)**

	Actual				
	2012	2013	2014	2015	2016
Elementary	1,030	965	921	958	936
Middle School	897	934	878	821	834
High School	775	780	791	816	790
Totals	<u>2,702</u>	<u>2,679</u>	<u>2,590</u>	<u>2,595</u>	<u>2,560</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, 2016 the school enrollment was 630 with 45 students from Hanover.

Industry and Commerce

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

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

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

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

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

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

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

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

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

EMPLOYMENT AND PAYROLLS

Hanover is a residential suburb of Boston. The wholesale/retail trade sector employed the greater percentage of people, followed by the services sector. The following table lists the major categories of income and employment from 2011-2015.

Industry	Calendar Year Average				
	2011	2012	2013	2014	2015
Construction	362	417	465	542	597
Manufacturing	480	488	509	509	532
Trade, Transportation & Utilities	2,347	2,389	2,461	2,463	2,415
Information	111	105	102	85	81
Financial Activities	238	229	191	300	306
Professional and Business Services	674	697	761	814	817
Education and Health Services	844	938	1,000	1,005	990
Leisure and Hospitality	946	923	971	894	866
Other Services	406	408	361	540	875
Total Employment	<u>6,408</u>	<u>6,594</u>	<u>6,821</u>	<u>7,152</u>	<u>7,479</u>
Number of Establishments	681	654	657	685	691
Average Weekly Wages	<u>\$ 749</u>	<u>\$ 763</u>	<u>\$ 798</u>	<u>\$ 813</u>	<u>\$ 858</u>
Total Wages	<u>\$ 256,319,968</u>	<u>\$ 267,644,966</u>	<u>\$ 290,425,128</u>	<u>\$ 309,375,058</u>	<u>\$ 341,089,541</u>

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

LARGEST EMPLOYERS

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

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

Labor Force, Employment and Unemployment Rates

According to the Massachusetts Department of Employment and Training, in March 2017, the Town had a total labor force of 7,691 of which 7,448 were employed and 243 or 3.2% were unemployed as compared with 3.6% for the Commonwealth.

The following table sets forth the Town's average labor force and unemployment rates for calendar years 2012 through 2016 and the unemployment rate for the Commonwealth and United States as a whole for the same period.

Year	Town of Hanover		Commonwealth	United States
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2016	7,460	2.9 %	4.9 %	5.3 %
2015	7,425	4.0	4.9	5.0
2014	7,411	4.7	5.8	6.2
2013	7,562	5.6	6.1	7.4
2012	7,544	5.4	6.7	8.1

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 2012 through 2016. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private construction and Town projects.

Calendar Year	New Construction				Additions/Alterations				Totals	
	Residential		Non-Residential		Residential		Non-Residential		No.	Value
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
2017 (1)	9	\$2,230,000	2	\$2,100,000	92	\$1,033,807	18	\$268,640	121	\$5,632,447
2016	16	4,052,500	8	4,881,540	392	4,294,280	48	3,007,948	464	16,236,268
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

(1) Issued through April 30, 2017.

Transportation and Utilities

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

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

Population, Income and Wealth Levels

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

	<u>Hanover</u>	<u>Massachusetts</u>	<u>United States</u>
Median Age:			
2010	41.8	39.1	37.2
2000	37.5	36.5	35.3
1990	34.1	33.6	32.9
1980	28.1	31.2	30.0
Median Family Income:			
2010	\$110,000	\$81,165	\$51,144
2000	86,835	50,502	50,046
1990	59,473	44,367	35,225
1980	27,034	21,166	19,908
Per Capita Income:			
2010	\$41,043	\$33,966	\$27,334
2000	30,268	25,952	21,587
1990	17,789	17,224	14,420
1980	7,568	7,459	7,313

SOURCE: Federal Census.

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

POPULATION TRENDS

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

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

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

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

TAX LEVY COMPUTATION

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
GROSS AMOUNT TO BE RAISED:					
Appropriations(1)	\$54,607,090	\$56,245,067	\$57,886,033	\$63,310,629	\$62,630,369
Other Local Expenditures	294,800	40,175	104,292	144,988	185,588
State and County Charges	552,995	568,946	601,023	587,173	635,726
Overlay Reserve	467,878	461,116	454,897	292,935	219,311
Total Gross Amount to be Raised	<u>\$55,922,763</u>	<u>\$57,315,304</u>	<u>\$59,046,245</u>	<u>\$64,335,725</u>	<u>\$63,670,994</u>
LESS EST. RECEIPTS & OTHER REVENUE:					
Estimated Receipts from State(2)	9,346,066	9,467,271	9,625,073	9,722,093	9,959,339
Estimated Receipts - Local	7,524,529	8,096,829	7,245,537	8,973,743	8,513,587
Available Funds Appropriated:					
Free Cash	2,067,248	1,924,421	1,533,736	2,166,750	1,270,962
Other Available Funds(3)	985,510	870,815	1,967,537	1,967,737	1,531,755
Total Estimated Receipts & Revenue	<u>19,923,353</u>	<u>20,359,336</u>	<u>20,371,883</u>	<u>22,830,323</u>	<u>21,275,643</u>
Net Amount to be Raised (Tax Levy)	<u>\$35,999,410</u>	<u>\$36,955,968</u>	<u>\$38,674,362</u>	<u>\$41,505,402</u>	<u>\$42,395,351</u>

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

Assessed Valuations and Tax Levies

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

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

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

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

<u>January 1</u>	<u>State Equalized Valuation</u>	<u>Percent Increase</u>
2016	\$ 2,595,375,300	8.89 %
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

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 2015. The next revaluation will occur in fiscal 2018.

<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>
2017	\$ 2,492,040,350	\$ 54,204,940	\$ 2,546,245,290	\$ 17.32	\$ 42,395,351	\$ 3,055
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

(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 2017, 2016, and 2015.

Property Type	2017		2016		2015	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential(1)	\$ 2,186,227,323	85.9 %	\$ 2,078,239,469	85.3 %	\$ 2,012,206,926	84.9 %
Commercial	300,618,240	11.8	299,212,141	12.3	298,023,144	12.6
Industrial	59,399,727	2.3	59,518,390	2.4	59,483,390	2.5
Total Real Estate	<u>\$ 2,546,245,290</u>	<u>100.0 %</u>	<u>\$ 2,436,970,000</u>	<u>100.0 %</u>	<u>\$ 2,369,713,460</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 2017. 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 2017	% of Total Valuation
1175 Washington Street Holdings LLC	Commercial	\$ 44,808,600	2.05 %
Target Corporation	Commercial	15,110,800	0.69
MSCI 200-HQ8 Complex 2053, LLC	Commercial	10,183,300	0.50
Starland Holdings LLC	Commercial	10,886,300	0.47
Cushing Green Limited Partnership	Residential	9,791,100	0.45
North Pointe Owner LLC	Commercial	9,232,600	0.42
Northern Rose - Hanover LTD	Commercial	8,258,500	0.38
AMR Real Estate Holdings - Hanover	Commercial	8,000,000	0.37
Shaws Hanover Station LLC	Commercial	6,589,100	0.30
Hanover Washington LTD Partnership	Commercial	6,588,600	0.30
Total		<u>\$ 129,448,900</u>	<u>5.93 %</u>

Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy. 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, 2016.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements and Exemptions Granted Through June 30, 2016
		Dollar Amount	As a % of Net Levy	
2016	\$41,212,417	\$292,935	0.71 %	\$154,024
2015	38,219,466	454,897	1.19	170,943
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

(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. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) 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, 2016 (3)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2016	\$41,505,402	\$292,935	\$41,212,467	\$41,090,414	99.7 %	\$41,090,414	99.7 %
2015	38,674,362	454,897	38,219,465	37,967,782	99.3	38,663,698	101.2
2014	36,955,968	461,116	36,494,852	36,304,878	99.5	36,966,664	101.3
2013	35,999,410	467,878	35,531,532	35,356,454	99.5	36,063,133	101.5
2012	34,158,264	507,420	33,650,844	33,677,536	100.1	34,107,093	101.4

(1) Levy net of Overlay Reserve.

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

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

Tax Titles and Possessions

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

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

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

<u>Fiscal Year</u>	<u>Total Tax Titles and Possessions</u>	<u>Total Realized Through Sale of Tax Title Property and Tax Title Redemption</u>
2016	\$ 477,346	\$ 105,057
2015	359,175	46,374
2014	222,651	68,375
2013	273,168	87,292
2012	392,189	-

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				
	2017	2016	2015	2014	2013
Primary Levy Limit (2)	\$ 63,656,132	\$ 60,924,250	\$ 59,242,837	\$ 56,386,108	\$ 57,264,187
Prior Fiscal Year Levy Limit	36,980,861	35,747,973	34,450,915	33,158,341	31,914,258
2.5% Levy Growth	924,522	893,699	861,273	828,959	797,856
New Growth (3)	255,920	339,189	435,785	463,615	446,227
Overrides	-	-	-	-	-
Growth Levy Limit	38,161,303	36,980,861	35,747,973	34,450,915	33,158,341
Debt Exclusions	4,235,786	4,577,190	3,522,772	3,523,614	2,975,508
Capital Expenditure Exclusions	-	-	-	-	-
Other Adjustments	-	-	-	-	-
Tax Levy Limit	42,397,089	41,558,051	39,270,745	37,974,529	36,133,849
Tax Levy	42,395,351	41,505,402	38,674,362	36,955,968	35,999,410
Unused Levy Capacity (4)	1,738	52,649	596,383	1,018,561	134,439
Unused Primary Levy Capacity (5)	\$ 25,494,829	\$ 23,943,389	\$ 23,494,864	\$ 21,935,193	\$ 24,105,846

(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, 2016 was \$3,388,213.

Community Preservation Fund Revenues

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>State Contribution</u>	<u>Total</u>
2016	\$ 952,314	\$ 318,073	\$ 1,270,387
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

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 2014 through 2018 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 2014</u>	<u>Fiscal 2015</u>	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>
General Government	\$1,404,732	\$1,129,510	\$1,118,635	\$1,314,130	\$1,310,244
Public Safety	5,882,893	6,111,530	6,300,486	6,511,517	6,842,436
Schools	23,410,430	24,811,838	25,662,155	26,490,521	27,962,919
Public Works(1)	9,112,907	6,240,044	6,539,121	6,651,003	6,648,154
Community Services (2)	1,547,735	1,585,981	1,686,329	1,908,061	1,886,151
Debt & Interest	5,199,087	5,173,314	5,872,705	5,474,530	5,013,619
Unclassified(3)	6,910,694	6,987,339	7,274,455	7,723,909	7,970,189
Total Expenditures	<u>\$53,468,478</u>	<u>\$52,039,556</u>	<u>\$54,453,886</u>	<u>\$56,073,671</u>	<u>\$57,633,712</u>

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

(2) Includes library and council on aging.

(3) Includes insurance and other employee benefits.

Revenues

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

State Aid Distributions: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state

legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate. In fiscal 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 totaled \$9,705,723. In fiscal 2017 state aid in the General Fund is expected to total \$9,943,121.

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 the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. 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, after notice of the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. In fiscal 2016, motor vehicle excise tax receipts in the General Fund totaled \$2,298,640.

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 2012 through 2016 are as follows:

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>
2016	\$ 3,473,962	\$ 3,605,210
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

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 2016, the total revenue generated from this tax totaled \$339,341, which is deposited into the OPEB Trust Fund.

Other: Other major general fund sources of revenue in fiscal 2016 include licenses and permits \$677,915, departmental revenues \$355,819 and fines \$122,453.

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). That statute permits investment of available funds and bond and note proceeds, in term deposits and Certificates of Deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government and an agency thereof with a maturity of one year or less, in repurchase agreements secured by federal or federal agency securities with a maturity of 90 days or less, in participation units in the Massachusetts Municipal Depository Trust (MMDT), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

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

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

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

Summary of Significant Accounting Policies

See audited financial statements attached as Appendix A.

Audits

The Town's most recent annual audits have been performed by Melanson Heath, Public Accountants. A copy of the fiscal 2016 audit is attached here to as Appendix A.

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

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years 2016, 2015 and 2014 and Statements of Revenues, Expenditures and Changes in Fund Balance for fiscal year 2016 through 2012. Said statements were extracted from the Town's audited financials.

**TOWN OF HANOVER
BALANCE SHEET
AS OF JUNE 30, 2016 (1)**

	General Fund	School Capital Project Fund	Community Preservation Act Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short term investments	\$ 896,555	\$ 1,373,355	\$ 3,403,505	\$ 1,735,924	\$ 3,569,383	\$ 10,978,722
Investments	12,027,081	-	-	-	690,384	12,717,465
Receivables:						
Property taxes	1,313,492	-	-	-	-	1,313,492
Excises	296,530	-	-	-	701	297,231
Departmental and other	-	-	11,229	1,266,452	80,000	1,357,681
Due from other funds	30,000	-	-	-	-	30,000
Due from other governments	-	-	-	-	1,317,670	1,317,670
Other assets	-	-	-	-	197,870	197,870
TOTAL ASSETS	\$ 14,563,658	\$ 1,373,355	\$ 3,414,734	\$ 3,002,376	\$ 5,856,008	\$ 28,210,131
LIABILITIES						
Warrants payable	\$ 731,805	\$ 128	\$ 15,291	\$ -	\$ 137,232	\$ 884,456
Due to other funds	-	-	-	-	30,000	30,000
Tax refunds payable	40,650	-	-	-	-	40,650
Notes payable	-	475,059	-	-	919,100	1,394,159
Other liabilities	1,074,529	-	-	-	-	1,074,529
TOTAL LIABILITIES	1,846,984	475,187	15,291	-	1,086,332	3,423,794
DEFERED INFLOWS OF RESOURCES	1,526,483	-	11,227	1,266,452	198,571	3,002,733
FUND BALANCES						
Nonspendable	-	-	-	-	166,460	166,460
Restricted	1,562,764	1,302,435	-	1,735,924	5,621,839	10,222,962
Committed	2,393,270	-	3,388,216	-	-	5,781,486
Assigned	1,842,685	-	-	-	-	1,842,685
Unassigned	5,391,472	(404,267)	-	-	(1,217,194)	3,770,011
TOTAL FUND BALANCES	11,190,191	898,168	3,388,216	1,735,924	4,571,105	21,783,604
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,563,658	\$ 1,373,355	\$ 3,414,734	\$ 3,002,376	\$ 5,856,008	\$ 28,210,131

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

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

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

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

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

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

(1) Extracted from the audited financial statements.

TOWN OF HANOVER, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF JUNE 30, 2016 (1)

	General Fund	School Capital Project Fund	Community Preservation Act Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 41,291,327	\$ -	\$ -	\$ -	\$ 952,314	\$ 42,243,641
Excises	2,595,258	-	-	-	22,660	2,617,918
Penalties, interest, and other taxes	524,727	-	-	-	80	524,807
Charges for services	354,995	-	952,314	994,880	1,923,302	4,225,491
Licenses and permits	677,916	-	-	-	-	677,916
Fines and forfeitures	117,238	-	-	-	-	117,238
Intergovernmental	9,724,996	24,941	318,073	-	2,849,406	12,917,416
Investment income	148,360	-	-	-	34,881	183,241
Miscellaneous	105,833	-	-	-	716,664	822,497
TOTAL REVENUES	\$ 55,540,650	\$ 24,941	\$ 1,270,387	\$ 994,880	\$ 6,499,307	\$ 64,330,165
EXPENDITURES						
Current						
General government	\$ 2,623,130	\$ -	\$ 249,254	\$ -	\$ 250,485	\$ 3,122,869
Public safety	7,569,678	-	-	-	339,576	7,909,254
Education	29,080,773	416,075	-	-	4,322,886	33,819,734
Public works	2,785,922	-	-	-	1,918,471	4,704,393
Health and Human services	504,840	-	-	-	185,401	690,241
Culture and recreation	623,607	-	-	-	307,394	931,001
Employee benefits	6,768,667	-	-	-	-	6,768,667
Miscellaneous	80,813	-	-	-	130,206	211,019
Debt Service	5,990,944	-	456,250	-	-	6,447,194
Intergovernmental	583,791	-	-	-	-	583,791
TOTAL EXPENDITURES	56,612,165	416,075	705,504	-	7,454,419	65,188,163
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,071,515)	(391,134)	564,883	994,880	(955,112)	(857,998)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,235,144	-	-	-	375,000	1,610,144
Transfers out	(344,850)	-	(100,000)	(1,050,295)	(184,849)	(1,679,994)
TOTAL OTHER FINANCING SOURCES (USES)	890,294	-	(100,000)	(1,050,295)	190,151	(69,850)
NET CHANGE IN FUND BALANCES	(181,221)	(391,134)	464,883	(55,415)	(764,961)	(927,848)
FUND BALANCES - BEGINNING OF YEAR	11,371,412	1,289,302	2,923,333	1,791,339	5,336,066	22,711,452
FUND BALANCES - END OF YEAR	\$ 11,190,191	\$ 898,168	\$ 3,388,216	\$ 1,735,924	\$ 4,571,105	\$ 21,783,604

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

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

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

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

TOWN OF HANOVER, MASSACHUSETTS
Statement of Revenues, Expenditures and
Changes in Fund Balances (1)
As of June 30, 2014

	General	High School Capital Project	Road Reconstruction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	\$ 36,546,943	\$ -	\$ -	\$ 835,860	\$ 37,382,803
Excises	2,332,894	-	-	49,744	2,382,638
Penalties, interest and other taxes	528,070	-	-	200	528,270
Charges for services	355,789	-	-	3,169,444	3,525,233
Licenses and Permits	428,227	-	-	-	428,227
Fines and Forfeitures	105,400	-	-	-	105,400
Intergovernmental	15,452,085	813,302	-	1,906,237	18,171,624
Investment Income	78,104	-	-	105,757	183,861
Miscellaneous	178,381	-	-	698,995	877,376
Total Revenues	<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	10,625,943	(7,712,232)	(93,842)	8,927,595	20,675,049
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	\$10,379,206	\$ (7,056,681)	\$ 2,947,612	\$ 6,202,865	\$ 12,473,002

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

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

<u>Year</u>	<u>Unassigned General Fund Balance for Fiscal Year Ending June 30 (1)</u>	<u>Certified Free Cash for Fiscal Year Beginning July 1</u>
2016	\$5,931,472 (2)	\$2,543,589
2015	4,800,580 (2)	1,734,000
2014	5,961,632 (2)	2,784,497
2013	3,877,738 (2)	2,074,285
2012	3,692,738 (2)	3,049,716

(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>
2017 (Projected)	\$2,110,480
2016	2,093,950
2015	1,868,785
2014	1,903,554
2013	1,864,218
2012	1,696,776

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

Capital Stabilization Fund

In fiscal 2015, the Town created a Capital Stabilization Fund with an initial deposit of \$200,000. The balance of this fund as of June 30, 2016 was \$503,085. The balance projected as of June 30, 2017 is approximately \$507,098.

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 ten 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.

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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, 2016 (1),
Including Subsequent Issues

General Obligation Bonds:

Sewer	\$4,500	
Water (2)	2,266,300	
Schools (3)	29,439,000	
MCWT (4)	386,904	
General (5)	14,030,200	
Total Long Term Outstanding		\$46,126,904

Short Term Debt:

Bond Anticipation Notes Outstanding (6)	1,388,159	
To Be Retired with MSBA Grant Proceeds	(219,974)	
This Issue New Money Bond Anticipation Notes	13,357,000	
Total Short Term Outstanding (7)		14,525,185

Total Direct Debt		\$60,652,089
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- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.
- (2) Supported by the water enterprise fund. \$2,166,300 is outside the Town's debt limit.
- (3) \$28,912,500 is exempt from the provisions of Proposition 2 ½. \$5,895,000 is outside the Town's debt limit. As of June 30, 2016, the Town is expecting to receive \$4,442,910 in grant payments from the Massachusetts School Building Authority over the life of the School bonds for the Cedar Elementary, Center Elementary and Middle School.
- (4) Does not reflect subsidy from MCWT. \$311,904 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
- (5) \$10,020,500 has been excluded from the provisions of Proposition 2 ½. \$150,000 is outside the Town's debt limit.
- (6) Payable June 23, 2017.
- (7) This issue, payable June 22, 2018.

Debt Ratios

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

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	Assessed Valuation	Per Capita Debt	Debt as a % of Full Valuation
2016	\$46,126,904	13,879	\$2,436,970,000	\$3,324	1.89 %
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

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, 2016 (1)

Fiscal Year	Sewer	Water (2)	School (3)	MCWT (4)	General (5)	Total	Cummulative Percentage Retired
2017	\$ 4,500	\$ 425,000	\$ 2,480,000	\$ 35,568	\$ 1,600,500	\$ 4,545,568	9.9 %
2018	-	270,000	2,485,000	35,568	1,375,000	4,165,568	18.9
2019	-	267,000	2,529,000	35,568	1,294,000	4,125,568	27.8
2020	-	264,300	2,575,000	24,700	1,290,700	4,154,700	36.8
2021	-	265,000	2,640,000	24,700	1,170,000	4,099,700	45.7
2022	-	255,000	1,595,000	24,700	1,115,000	2,989,700	52.2
2023	-	255,000	1,630,000	29,700	1,115,000	3,029,700	58.8
2024	-	240,000	1,670,000	14,700	1,120,000	3,044,700	65.4
2025	-	10,000	1,705,000	14,700	1,010,000	2,739,700	71.3
2026	-	10,000	1,745,000	14,700	885,000	2,654,700	77.1
2027	-	5,000	1,767,500	14,700	677,500	2,464,700	82.4
2028	-	-	1,770,000	14,700	610,000	2,394,700	87.6
2029	-	-	1,787,500	14,700	607,500	2,409,700	92.8
2030	-	-	710,000	14,700	70,000	794,700	94.6
2031	-	-	710,000	14,700	45,000	769,700	96.2
2032	-	-	710,000	14,700	45,000	769,700	97.9
2033	-	-	310,000	14,700	-	324,700	98.7
2034	-	-	310,000	14,700	-	324,700	99.4
2035	-	-	310,000	14,700	-	324,700	100.0
Total	\$ 4,500	\$ 2,266,300	\$ 29,439,000	\$ 386,904	\$ 14,030,200	\$ 46,126,904	

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
- (2) Supported by the water enterprise fund. \$2,166,300 is outside the Town's debt limit.
- (3) \$28,912,500 is exempt from the provisions of Proposition 2 ½. \$5,895,000 is outside the Town's debt limit. As of June 30, 2016, the Town is expecting to receive \$4,442,910 in grant payments from the Massachusetts School Building Authority over the life of the School bonds for the Cedar Elementary, Center Elementary and Middle School.
- (4) Does not reflect subsidy from MCWT. \$311,904 has been excluded from the provisions of Proposition 2 ½ and is outside the Town's debt limit.
- (5) \$10,020,500 has been excluded from the provisions of Proposition 2 ½. \$150,000 is outside the Town's debt limit.

Debt Service Requirements

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

GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2016

Fiscal Year	Outstanding (1)		SRF Subsidy	MSBA Subsidy	Total Net Debt Service
	Principal	Interest			
2017	\$4,545,568	\$1,693,684	(\$6,162)	(\$888,582)	\$5,344,508
2018	4,165,568	1,567,810	(5,489)	(888,582)	4,839,307
2019	4,125,568	1,395,478	(4,885)	(888,582)	4,627,579
2020	4,154,700	1,225,959	(4,249)	(888,582)	4,487,828
2021	4,099,700	1,056,094	(4,126)	(888,582)	4,263,087
2022	2,989,700	892,131	(4,028)	-	3,877,803
2023	3,029,700	760,956	(3,545)	-	3,787,111
2024	3,044,700	634,181	-	-	3,678,881
2025	2,739,700	515,331	-	-	3,255,031
2026	2,654,700	407,188	-	-	3,061,888
2027	2,464,700	303,625	-	-	2,768,325
2028	2,394,700	232,225	-	-	2,626,925
2029	2,409,700	165,400	-	-	2,575,100
2030	794,700	106,325	-	-	901,025
2031	769,700	78,225	-	-	847,925
2032	769,700	51,125	-	-	820,825
2033	324,700	24,025	-	-	348,725
2034	324,700	14,531	-	-	339,231
2035	324,700	4,844	-	-	329,544
Total	\$46,126,904	\$11,129,138	\$(32,485)	\$(4,442,910)	\$52,780,647

(1) \$39,192,904 in principal and \$9,859,639 in interest is exempt from Proposition 2 ½.

Authorized Unissued Debt

The Town currently has \$40,009,386 in authorized unissued debt for various projects. \$32,726,186 is for construction of a new Sylvester/Center School, \$1,558,000 is for various equipment purchases, and the balance for other municipal purposes. The Sylvester/Center School project was approved by the Massachusetts School Building Authority (MSBA) for construction grants equal to approximately 53.70% of eligible project costs of which the Town has received \$735,518.

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 2017 dollar assessment for each.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>Hanover's Estimated Share (1)</u>	<u>Fiscal 2017 Dollar Assessment (2)</u>
Plymouth County (3)	\$2,200,000	3.62 %	\$2,961,848
South Shore Regional Vocational School District (4)	690,000	11.71	725,406
Massachusetts Bay Transportation Authority (5)	5,656,191,000	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, 2016. Assessment is for fiscal 2017. 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, 2016. Assessment is for fiscal 2017. 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, 2016. Assessment is for fiscal 2017. The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

CONTRACTUAL OBLIGATIONS

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

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

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

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

The Town of Hanover has a limited number of contractual obligations.

RETIREMENT PLAN

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

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

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

development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

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

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

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

<u>Year Ending</u>	<u>Contributory</u>
June 30, 2017	\$ 2,961,848
June 30, 2016	2,850,514
June 30, 2015	2,637,067
June 30, 2014	2,426,018
June 30, 2013	2,377,229

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
2017 (Budgeted)	\$ 922,360
2016	802,052
2015	733,500
2014	888,840
2013	958,493
2012	900,000

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

establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town of Hanover participates in a cost-sharing multiple employer plan, operated by the Mayflower Municipal Health Group, which has not conducted the required actuarial valuation. The Town performed an actuarial study as of January 1, 2015 that estimated the unfunded liability at approximately \$37.9 million with an annual required contribution (ARC) of approximately \$2.1 million (using a 4.0% earnings assumption). The Town voted to fund the OPEB liability trust fund with meals tax receipts.

The Town funds the OPEB Trust fund with the revenue generated from the local option meals tax. The balance of this fund as of June 30, 2016 was \$1,290,949. The projected balance of the OPEB Trust as of June 30, 2017 is approximately \$1,724,863.

EMPLOYEE RELATIONS

The Town employs approximately 900 full-time, part-time, seasonal, and temporary workers, of whom 576 are employed by the School Department, 37 by the Fire Department, 44 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 448 employees are represented by nine unions, four of 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/ Chelsea Stevens, Acting Finance Director & Town Accountant

June 8, 2017

TOWN OF HANOVER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

Town of Hanover, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hanover, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2017 on our consideration of the Town of Hanover, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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

Melanson Heath

March 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hanover, we offer readers this narrative overview and analysis of the financial activities of the Town of Hanover for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$37,443,698 (i.e., net position), a change of \$253,362 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,783,604, a change of \$(927,848) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,391,472, a change of \$590,892 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$46,126,904, a change of \$(5,175,567) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 31,376	\$ 33,755	\$ 2,076	\$ 2,681	\$ 33,452	\$ 36,436
Deferred outflows	3,192	1,152	168	61	3,360	1,213
Capital assets	<u>98,288</u>	<u>98,459</u>	<u>9,778</u>	<u>9,697</u>	<u>108,066</u>	<u>108,156</u>
Total assets and deferred outflows	132,856	133,366	12,022	12,439	144,878	145,805
Current liabilities	8,277	9,306	598	568	8,875	9,874
Noncurrent liabilities	92,786	93,246	5,001	5,456	97,787	98,702
Deferred inflows	<u>552</u>	<u>39</u>	<u>221</u>	<u>-</u>	<u>773</u>	<u>39</u>
Total liabilities	101,615	102,591	5,820	6,024	107,435	108,615
Net position:						
Net investment in capital assets	54,949	52,004	6,890	6,139	61,839	58,143
Restricted	10,582	9,853	-	-	10,582	9,853
Unrestricted	<u>(34,290)</u>	<u>(31,082)</u>	<u>(688)</u>	<u>276</u>	<u>(34,978)</u>	<u>(30,806)</u>
Total net position	<u>\$ 31,241</u>	<u>\$ 30,775</u>	<u>\$ 6,202</u>	<u>\$ 6,415</u>	<u>\$ 37,443</u>	<u>\$ 37,190</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,041	\$ 4,612	\$ 3,690	\$ 3,409	\$ 8,731	\$ 8,021
Operating grants and contributions	13,945	11,850	-	-	13,945	11,850
Capital grants and contributions	1,307	2,523	-	-	1,307	2,523
General revenues:						
Property taxes	42,327	39,420	-	-	42,327	39,420
Excises	2,723	2,520	-	-	2,723	2,520
Penalties and interest on taxes	525	526	-	-	525	526
Grants and contributions not restricted to specific programs	2,182	2,135	-	2	2,182	2,137
Investment income	183	82	-	-	183	82
Other	335	357	-	-	335	357
	<u>68,568</u>	<u>64,025</u>	<u>3,690</u>	<u>3,411</u>	<u>72,258</u>	<u>67,436</u>
Total revenues						
Expenses:						
General government	3,175	3,193	-	-	3,175	3,193
Public safety	7,041	7,508	-	-	7,041	7,508
Education	39,869	36,128	-	-	39,869	36,128
Public works	3,672	4,512	-	-	3,672	4,512
Human services	691	586	-	-	691	586
Culture and recreation	1,239	1,205	-	-	1,239	1,205
Employee benefits	9,674	8,011	-	-	9,674	8,011
Interest on long-term debt	1,876	1,793	-	-	1,876	1,793
Intergovernmental	584	517	-	-	584	517
Miscellaneous	211	287	-	-	211	287
Water	-	-	3,970	3,131	3,970	3,131
	<u>68,032</u>	<u>63,740</u>	<u>3,970</u>	<u>3,131</u>	<u>72,002</u>	<u>66,871</u>
Total expenses						
Change in net position before transfers	536	285	(280)	280	256	565
Transfers in (out)	<u>(70)</u>	<u>359</u>	<u>67</u>	<u>(359)</u>	<u>(3)</u>	<u>-</u>
Change in net position	466	644	(213)	(79)	253	565
Net position - beginning of year, as restated	<u>30,775</u>	<u>30,131</u>	<u>6,415</u>	<u>6,494</u>	<u>37,190</u>	<u>36,625</u>
Net position - end of year	<u>\$ 31,241</u>	<u>\$ 30,775</u>	<u>\$ 6,202</u>	<u>\$ 6,415</u>	<u>\$ 37,443</u>	<u>\$ 37,190</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$37,443,698, a change of \$253,362 from the prior year.

The largest portion of net position, \$61,838,990, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,582,650, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(34,977,942) caused primarily by accrued but unfunded other post-employment benefits (see Note 19) and the net pension liability (see Note 20).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$466,297. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (181,221)
School capital project fund - accrual basis	(416,075)
Community preservation fund - operating results	464,883
Ambulance fund - operating results	(55,415)
Nonmajor funds - accrual basis	734,632
Principal debt service in excess of depreciation expense	665,512
MSBA receipts	24,941
Change in accrued other post-employment benefits	(2,621,012)
Increase in bond premiums	305,139
Other	<u>1,544,913</u>
Total	<u>\$ 466,297</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(212,935) from water operations.

Water operations	<u>\$ (212,935)</u>
Total	<u>\$ (212,935)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$21,783,604, a change of \$(927,848) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (181,221)
School capital project operations	(391,134)
Community preservation revenues over expenditures	464,883
Ambulance fund revenues over expenditures	(55,415)
Nonmajor funds revenues over expenditures	<u>(764,961)</u>
Total	<u>\$ (927,848)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,391,472, while total fund balance was \$11,190,191. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 5,391,472	\$ 4,800,580	\$ 590,892	10%
Total fund balance	\$ 11,190,191	\$ 11,371,412	\$ (181,221)	20%

The total fund balance of the general fund changed by \$(181,221) during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 1,235,744
Appropriation turnbacks by departments	522,681
Excess property tax collections	78,860
Prior year encumbrances to be spent in the current year over current year encumbrances to be spent in the subsequent year	(277,065)
Use of free cash as a funding source	(2,197,450)
Use of overlay surplus as a funding source	(500,000)
Other uses	111,526
Change in stabilization	915,253
Other	<u>(70,770)</u>
Total	<u>\$ (181,221)</u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 2,107,597	\$ 1,869,990	\$ 237,607
Capital stabilization	503,085	200,404	302,681
OPEB stabilization	<u>1,298,302</u>	<u>923,337</u>	<u>374,965</u>
Total	<u>\$ 3,908,984</u>	<u>\$ 2,993,731</u>	<u>\$ 915,253</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(687,347), a change of \$(963,162) in comparison to the prior year, as restated.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$695,350. Major reasons for these amendments include:

- \$5,000 for general government appropriations.
- \$15,350 for public safety appropriations.
- \$175,000 for public works appropriations.
- \$200,000 transfer to general stabilization.
- \$300,000 transfer to capital stabilization.

These supplemental appropriations were funded by \$195,350 from free cash and \$500,000 from overlay surplus.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$108,066,019 (net of accumulated depreciation), a change of \$(89,333) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- \$1,584,994 increase in vehicles relating to various cruiser, truck, and backhoe purchases

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$46,126,904, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

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

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

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 10,978,722	\$ 690,724	\$ 11,669,446
Investments	12,717,465	-	12,717,465
Receivables, net of allowance for uncollectibles:			
Property taxes	581,392	-	581,392
Excises	237,711	-	237,711
User fees	-	1,386,221	1,386,221
Departmental and other	319,305	-	319,305
Intergovernmental	1,317,670	-	1,317,670
Other assets	197,870	-	197,870
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	534,363	-	534,363
Intergovernmental	4,461,436	-	4,461,436
Capital Assets:			
Land and construction in progress	10,212,183	827,766	11,039,949
Other assets, net of accumulated depreciation	88,076,368	8,949,702	97,026,070
DEFERRED OUTFLOWS OF RESOURCES	<u>3,191,840</u>	<u>167,992</u>	<u>3,359,832</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	132,856,325	12,022,405	144,878,730
LIABILITIES			
Current:			
Warrants payable	884,456	115,055	999,511
Accrued liabilities	311,420	7,367	318,787
Tax refunds payable	40,650	-	40,650
Notes payable	1,394,159	-	1,394,159
Other current liabilities	1,104,529	-	1,104,529
Current portion of long-term liabilities:			
Bonds payable	4,075,568	470,000	4,545,568
Compensated absence	147,375	5,045	152,420
Bond premium	228,275	-	228,275
Noncurrent:			
Bonds payable, net of current portion	39,215,036	2,366,300	41,581,336
Compensated absence	2,800,118	95,854	2,895,972
Bond premium	2,085,925	-	2,085,925
Accrued other post-employment benefits	21,581,006	1,113,397	22,694,403
Net pension liability	27,103,921	1,426,523	28,530,444
DEFERRED INFLOWS OF RESOURCES	<u>642,453</u>	<u>220,600</u>	<u>863,053</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	101,614,891	5,820,141	107,435,032
NET POSITION			
Net investment in capital assets	54,949,379	6,889,611	61,838,990
Restricted for:			
Grants and other statutory restrictions	10,324,680	-	10,324,680
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	91,510	-	91,510
Unrestricted	<u>(34,290,595)</u>	<u>(687,347)</u>	<u>(34,977,942)</u>
TOTAL NET POSITION	<u>\$ 31,241,434</u>	<u>\$ 6,202,264</u>	<u>\$ 37,443,698</u>

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

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 3,174,696	\$ 537,409	\$ -	\$ (2,208,994)	\$ -	\$ (2,208,994)
Public safety	7,040,828	173,428	-	(5,334,257)	-	(5,334,257)
Education	39,869,130	13,004,604	25,242	(24,277,167)	-	(24,277,167)
Public works	3,671,741	-	1,281,468	(2,219,721)	-	(2,219,721)
Health and human services	690,974	133,655	-	(459,987)	-	(459,987)
Culture and recreation	1,238,793	95,945	-	(893,048)	-	(893,048)
Employee benefits	9,673,975	-	-	(9,673,975)	-	(9,673,975)
Interest	1,875,989	-	-	(1,875,989)	-	(1,875,989)
Intergovernmental	583,791	-	-	(583,791)	-	(583,791)
Miscellaneous	211,021	-	-	(211,021)	-	(211,021)
Total Governmental Activities	68,030,938	13,945,041	1,306,710	(47,737,950)	-	(47,737,950)
Business-Type Activities:						
Water services	3,970,005	-	-	-	(280,185)	(280,185)
Total Business-Type Activities	3,970,005	-	-	-	(280,185)	(280,185)
Total	\$ 72,000,943	\$ 13,945,041	\$ 1,306,710	(47,737,950)	(280,185)	(48,018,135)
General Revenues and Transfers:						
Property taxes				42,326,493	-	42,326,493
Excises				2,723,310	-	2,723,310
Penalties, interest and other taxes				524,807	-	524,807
Grants and contributions not restricted to specific programs				2,181,500	-	2,181,500
Investment income				183,241	-	183,241
Miscellaneous				334,746	-	334,746
Transfers, net				(69,850)	67,250	(2,600)
Total general revenues and transfers				48,204,247	67,250	48,271,497
Change in Net Position				466,297	(212,935)	253,362
Net Position:						
Beginning of year, as restated				30,775,137	6,415,199	37,190,336
End of year				\$ 31,241,434	\$ 6,202,264	\$ 37,443,698

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

TOWN OF HANOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and short-term investments	\$ 896,555	\$ 1,373,355	\$ 3,403,505	\$ 1,735,924	\$ 3,569,383	\$ 10,978,722
Investments	12,027,081	-	-	-	690,384	12,717,465
Receivables:						
Property taxes	1,313,492	-	-	-	-	1,313,492
Excises	296,530	-	-	-	701	297,231
Departmental and other	-	-	11,229	1,266,452	80,000	1,357,681
Due from other funds	30,000	-	-	-	-	30,000
Due from other governments	-	-	-	-	1,317,670	1,317,670
Other assets	-	-	-	-	197,870	197,870
TOTAL ASSETS	\$ 14,563,658	\$ 1,373,355	\$ 3,414,734	\$ 3,002,376	\$ 5,856,008	\$ 28,210,131
LIABILITIES						
Warrants payable	\$ 731,805	\$ 128	\$ 15,291	\$ -	\$ 137,232	\$ 884,456
Due to other funds	-	-	-	-	30,000	30,000
Tax refunds payable	40,650	-	-	-	-	40,650
Notes payable	-	475,059	-	-	919,100	1,394,159
Other liabilities	1,074,529	-	-	-	-	1,074,529
TOTAL LIABILITIES	1,846,984	475,187	15,291	-	1,086,332	3,423,794
DEFERRED INFLOWS OF RESOURCES	1,526,483	-	11,227	1,266,452	198,571	3,002,733
FUND BALANCES						
Nonspendable	-	-	-	-	166,460	166,460
Restricted	1,562,764	1,302,435	-	1,735,924	5,621,839	10,222,962
Committed	2,393,270	-	3,388,216	-	-	5,781,486
Assigned	1,842,685	-	-	-	-	1,842,685
Unassigned	5,391,472	(404,267)	-	-	(1,217,194)	3,770,011
TOTAL FUND BALANCES	11,190,191	898,168	3,388,216	1,735,924	4,571,105	21,783,604
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,563,658	\$ 1,373,355	\$ 3,414,734	\$ 3,002,376	\$ 5,856,008	\$ 28,210,131

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

TOWN OF HANOVER, MASSACHUSETTS

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

JUNE 30, 2016

Total governmental fund balances	\$ 21,783,604
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	98,288,551
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,617,045
<ul style="list-style-type: none">• Noncurrent assets, including MSBA reimbursements for contracted assistance projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	4,461,436
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(311,420)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital leases, landfill closure, accrued compensated absences and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(70,554,603)
<ul style="list-style-type: none">• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(24,043,179)</u>
Net position of governmental activities	<u><u>\$ 31,241,434</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 41,291,327	-	-	-	\$ 952,314	\$ 42,243,641
Excises	2,595,258	-	-	-	22,660	2,617,918
Penalties, interest, and other taxes	524,727	-	-	-	80	524,807
Charges for services	354,995	-	952,314	994,880	1,923,302	4,225,491
Licenses and permits	677,916	-	-	-	-	677,916
Fines and forfeitures	117,238	-	-	-	-	117,238
Intergovernmental	9,724,996	24,941	318,073	-	2,849,406	12,917,416
Investment income	148,360	-	-	-	34,881	183,241
Miscellaneous	105,833	-	-	-	716,664	822,497
Total Revenues	55,540,650	24,941	1,270,387	994,880	6,499,307	64,330,165
Expenditures:						
Current:						
General government	2,623,130	-	249,254	-	250,485	3,122,869
Public safety	7,569,678	-	-	-	339,576	7,909,254
Education	29,080,773	416,075	-	-	4,322,886	33,819,734
Public works	2,785,922	-	-	-	1,918,471	4,704,393
Health and human services	504,840	-	-	-	185,401	690,241
Culture and recreation	623,607	-	-	-	307,394	931,001
Employee benefits	6,768,667	-	-	-	-	6,768,667
Miscellaneous	80,813	-	-	-	130,206	211,019
Debt service	5,990,944	-	456,250	-	-	6,447,194
Intergovernmental	583,791	-	-	-	-	583,791
Total Expenditures	56,612,165	416,075	705,504	-	7,454,419	65,188,163
Excess (deficiency) of revenues over expenditures	(1,071,515)	(391,134)	564,883	994,880	(955,112)	(857,998)
Other Financing Sources (Uses):						
Transfers in	1,235,144	-	-	-	375,000	1,610,144
Transfers out	(344,850)	-	(100,000)	(1,050,295)	(184,849)	(1,679,994)
Total Other Financing Sources (Uses)	890,294	-	(100,000)	(1,050,295)	190,151	(69,850)
Change in fund balance	(181,221)	(391,134)	464,883	(55,415)	(764,961)	(927,848)
Fund Equity, at Beginning of Year, as restated	11,371,412	1,289,302	2,923,333	1,791,339	5,336,066	22,711,452
Fund Equity, at End of Year	\$ 11,190,191	\$ 898,168	\$ 3,388,216	\$ 1,735,924	\$ 4,571,105	\$ 21,783,604

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

TOWN OF HANOVER, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds	\$ (927,848)																				
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">3,234,090</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,405,056)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">208,836</td> </tr> </table> • Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(888,281)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">4,070,568</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">305,139</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">195,497</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">578,660</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(2,621,012)</td> </tr> </table> • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(284,296)</u></td> </tr> </table> 		Capital outlay purchases	3,234,090	Depreciation	(3,405,056)		208,836		(888,281)	Repayments of debt	4,070,568	Amortization of bond premium	305,139		195,497	Compensated absences	578,660	Net OPEB obligation	(2,621,012)		<u>(284,296)</u>
Capital outlay purchases	3,234,090																				
Depreciation	(3,405,056)																				
	208,836																				
	(888,281)																				
Repayments of debt	4,070,568																				
Amortization of bond premium	305,139																				
	195,497																				
Compensated absences	578,660																				
Net OPEB obligation	(2,621,012)																				
	<u>(284,296)</u>																				
Change in net assets of governmental activities	\$ <u>466,297</u>																				

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

TOWN OF HANOVER, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
Revenues and other sources:				
Property taxes	\$ 41,212,467	\$ 41,212,467	\$ 41,212,467	\$ -
Excises	1,983,088	1,983,088	2,595,258	612,170
Penalties, interest, and other taxes	90,000	90,000	185,386	95,386
Charges for services	313,043	313,043	354,995	41,952
Licenses and permits	417,886	417,886	677,916	260,030
Fines and forfeitures	87,570	87,570	117,238	29,668
Intergovernmental	9,705,723	9,705,723	9,724,996	19,273
Investment income	35,000	35,000	72,448	37,448
Other revenues	35,000	35,000	105,833	70,833
Other financing sources:				
Transfers in	1,524,899	1,524,899	1,593,883	68,984
Use of overlay surplus	-	500,000	500,000	-
Use of fund balance	<u>2,002,100</u>	<u>2,197,450</u>	<u>2,197,450</u>	<u>-</u>
Total Revenues	57,406,776	58,102,126	59,337,870	1,235,744
Expenditures and other uses:				
Current:				
General government	5,154,735	5,159,735	5,087,233	72,502
Public safety	7,488,991	7,504,341	7,339,549	164,792
Education	26,867,521	26,867,521	26,857,754	9,767
Public works	2,938,060	3,113,060	2,997,051	116,009
Health and human services	450,805	450,805	436,617	14,188
Culture and recreation	545,305	545,305	562,331	(17,026)
Employee benefits	7,114,955	7,114,955	6,767,799	347,156
Debt service	5,872,705	5,872,705	6,060,794	(188,089)
Intergovernmental	587,173	587,173	583,791	3,382
Other financing uses:				
Transfers out	275,000	775,000	775,000	-
Other uses	<u>111,526</u>	<u>111,526</u>	<u>111,526</u>	<u>-</u>
Total Expenditures	<u>57,406,776</u>	<u>58,102,126</u>	<u>57,579,445</u>	<u>522,681</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,758,425</u>	\$ <u>1,758,425</u>

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

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 690,724
User fees, net of allowance for uncollectibles	1,386,221
Total current assets	<u>2,076,945</u>
Noncurrent:	
Capital Assets:	
Land and construction in progress	827,766
Other assets, net of accumulated depreciation	8,949,702
Total noncurrent assets	<u>9,777,468</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>167,992</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,022,405
LIABILITIES	
Current:	
Warrants payable	115,055
Accrued liabilities	7,367
Current portion of long-term liabilities:	
Bonds payable	470,000
Compensated absence	5,045
Total current liabilities	<u>597,467</u>
Noncurrent:	
Bonds payable, net of current portion	2,366,300
Compensated absence, net of current portion	95,854
Net OPEB obligation	1,113,397
Net pension liability	1,426,523
Total noncurrent liabilities	<u>5,002,074</u>
DEFERRED INFLOWS OF RESOURCES	<u>220,600</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,820,141
NET POSITION	
Invested in capital assets, net of related debt	6,889,611
Unrestricted	(687,347)
TOTAL NET POSITION	<u>\$ 6,202,264</u>

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

TOWN OF HANOVER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 3,558,519
Other	<u>131,301</u>
Total Operating Revenues	3,689,820
Operating Expenses:	
Operating expenses	3,269,217
Depreciation	420,290
Employee benefits	<u>129,199</u>
Total Operating Expenses	<u>3,818,706</u>
Operating Income (Loss)	(128,886)
Nonoperating Revenues (Expenses):	
Interest expense	<u>(151,299)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(151,299)</u>
Income (Loss) Before Transfers	(280,185)
Transfers:	
Transfers in	69,850
Transfers out	<u>(2,600)</u>
Change in Net Position	(212,935)
Net Position at Beginning of Year, as restated	<u>6,415,199</u>
Net Position at End of Year	<u><u>\$ 6,202,264</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,559,798
Payments to vendors and employees	<u>(3,025,181)</u>
Net Cash Provided By Operating Activities	534,617
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers in	69,850
Transfers out	<u>(2,600)</u>
Net Cash Provided By Noncapital Financing Activities	67,250
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(501,923)
Principal payments on bonds and notes	(689,700)
Interest expense	<u>(151,299)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,342,922)
<u>Cash Flows From Investing Activities:</u>	
Net Change in Cash and Short-Term Investments	(741,055)
Cash and Short-Term Investments, Beginning of Year	<u>1,431,779</u>
Cash and Short-Term Investments, End of Year	<u>\$ 690,724</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ (128,886)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	420,290
Changes in assets and liabilities:	
User fees	(130,022)
Deferred outflows	(107,364)
Deferred inflows	220,600
Warrants and accounts payable	30,740
Accrued liabilities	(404)
Compensated absences	(23,712)
Accrued other post-employment	137,948
Net pension liability	<u>115,427</u>
Net Cash Provided By Operating Activities	<u>\$ 534,617</u>

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

TOWN OF HANOVER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 133,879	\$ 826,021
Accounts receivable	<u>-</u>	<u>117,573</u>
Total Assets	133,879	943,594
 <u>LIABILITIES AND NET POSITION</u>		
Accounts payable	-	30,538
Escrow deposits	<u>-</u>	<u>913,056</u>
Total Liabilities	<u>-</u>	<u>943,594</u>
 <u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>133,879</u></u>	\$ <u><u>-</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 10,000
Interest income	<u>16</u>
Total additions	10,016
Deductions:	
Other	<u>22,250</u>
Total deductions	<u>22,250</u>
Net increase (decrease)	(12,234)
Net position:	
Beginning of year	<u>146,113</u>
End of year	<u><u>\$ 133,879</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The School Construction Fund reports activities related to the High School construction and Sylvester School renovation projects.

- The Community Preservation Fund reports all open space, historic resources, and community housing activities whose costs are principally funded through Community Preservation Act revenues.
- The Ambulance fund is used to track the activities related to providing ambulance services to the Town.

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

The government reports the following major proprietary funds:

- Water Enterprise Fund

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

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments." The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of \$82,649.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Advisory Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting,

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 55,540,650	\$ 56,612,165
Other financing sources/uses (GAAP basis)	<u>1,235,144</u>	<u>344,850</u>
Subtotal (GAAP Basis)	56,775,794	56,957,015
Adjust tax revenue to accrual basis	(78,860)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(940,672)
Add end-of-year appropriation carryforwards from expenditures	-	663,607
To record use of overlay surplus	500,000	-
To record use of free cash	2,197,450	-
To record other uses	-	111,526
To remove unbudgeted stabilization fund	(415,253)	500,000
Other timing issues and reclassifications	<u>358,739</u>	<u>287,969</u>
Budgetary basis	<u>\$ 59,337,870</u>	<u>\$ 57,579,445</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

Special Revenue Funds:	
FEMA/FY15 Winter Storm	\$ (221,057)
FY14 BVP Grant	(9,938)
ECC FY16 911 EMD	(11,730)
HS Transportation	(21,990)
FY16 MAHB	(2,822)
MS Extended Day	(2,920)
Capital Projects:	
Fire Breath Apparatus SCBA	(269,926)
Fire Portable Radio Equip	(120,214)
DPW 4X4 Pickup Purch/equip	(37,745)
DPW 1 Ton Dump Truck Purch/equip	(63,951)
DPW LRG Dump Truck Purch/equip	(156,526)
Energy MGMT Controls	(80,954)
Generator Fire Headquarters	(177,205)
Fire HQ Kitchen Renovations	(40,216)
Sylvester Feasibility	<u>(404,267)</u>
	<u>\$ (1,621,461)</u>

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

3. Cash and Short-Term Investments

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

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

As of June 30, 2016, \$475,076 of the Town's bank balance of \$13,353,841 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>					
			<u>AA+</u>	<u>AA</u>	<u>A+</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB-</u>
U.S. Treasury notes	\$ 257	\$ -	\$ 257	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of deposits	6,802	6,802	-	-	-	-	-	-
Corporate bonds	481	-	51	40	132	60	106	92
Mutual funds	4,272	4,272	-	-	-	-	-	-
Federal agency securities	905	-	905	-	-	-	-	-
Total investments	<u>\$ 12,717</u>	<u>\$ 11,074</u>	<u>\$ 1,213</u>	<u>\$ 40</u>	<u>\$ 132</u>	<u>\$ 60</u>	<u>\$ 106</u>	<u>\$ 92</u>

B. Custodial Credit Risk

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

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

C. Concentration of Credit Risk

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
U.S. Treasury notes	\$ 257	\$ -	\$ 257	\$ -
Certificates of deposit	6,802	6,273	529	-
Corporate bonds	481	-	481	-
Mutual funds	4,272	-	-	4,272
Federal agency securities	905	-	905	-
Total	<u>\$ 12,717</u>	<u>\$ 6,273</u>	<u>\$ 2,172</u>	<u>\$ 4,272</u>

E. Foreign Currency Risk

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

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Debt securities			
Federal agency securities	\$ 905	\$ -	\$ 905
U.S. Treasury notes	257	-	257
Corporate bonds	481	-	481
Mutual funds	<u>4,272</u>	<u>4,272</u>	<u>-</u>
Total	<u>\$ 5,915</u>	<u>\$ 4,272</u>	<u>\$ 1,643</u>

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2016 consist of the following (in thousands):

Real Estate		
2016	\$ 510	
2015	7	
2014	-	
2013	8	
2012	9	
2011	13	
2010	10	
2009	4	
2008	4	
Prior	<u>3</u>	
		568
Personal Property		
2016	13	
2015	8	
2014	10	
2013	5	
2012	4	
2011	5	
2010	<u>12</u>	
		57
Tax Liens		594
Deferred Taxes		<u>95</u>
Total		<u>\$ 1,314</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 198	\$ -
Excises	\$ 59	\$ -
Utilities	\$ -	\$ 85
Other	\$ 1,038	\$ -

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

8. Interfund Transfers

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental, proprietary, and fiduciary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General fund	\$ 1,235,144	\$ (344,850)
Community preservation fund	-	(100,000)
Ambulance fund	-	(1,050,295)
Nonmajor Funds:		
Special revenue funds	-	(184,849)
Trust funds	<u>375,000</u>	<u>-</u>
Subtotal - Governmental	1,610,144	(1,679,994)
Business-type Funds:		
Water fund	<u>69,850</u>	<u>(2,600)</u>
Subtotal - Business-type	69,850	(2,600)
Fiduciary Funds:		
Agency fund	<u>2,600</u>	<u>-</u>
Subtotal - Fiduciary	<u>2,600</u>	<u>-</u>
Total	<u>\$ 1,682,594</u>	<u>\$ (1,682,594)</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,401	\$ 209	\$ -	\$ 100,610
Machinery, equipment, and furnishings	3,714	76	-	3,790
Vehicles	7,058	1,383	-	8,441
Infrastructure	<u>28,968</u>	<u>1,388</u>	<u>-</u>	<u>30,356</u>
Total capital assets, being depreciated	140,141	3,056	-	143,197
Less accumulated depreciation for:				
Buildings and improvements	(26,929)	(2,312)	-	(29,241)
Machinery, equipment, and furnishings	(2,159)	(156)	-	(2,315)
Vehicles	(6,190)	(404)	-	(6,594)
Infrastructure	<u>(16,438)</u>	<u>(533)</u>	<u>-</u>	<u>(16,971)</u>
Total accumulated depreciation	<u>(51,716)</u>	<u>(3,405)</u>	<u>-</u>	<u>(55,121)</u>
Total capital assets, being depreciated, net	88,425	(349)	-	88,076
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>3</u>	<u>178</u>	<u>-</u>	<u>181</u>
Total capital assets, not being depreciated	<u>10,034</u>	<u>178</u>	<u>-</u>	<u>10,212</u>
Governmental activities capital assets, net	<u>\$ 98,459</u>	<u>\$ (171)</u>	<u>\$ -</u>	<u>\$ 98,288</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,415	\$ -	\$ -	\$ 6,415
Vehicles	90	202	-	292
Infrastructure	<u>12,163</u>	<u>300</u>	<u>-</u>	<u>12,463</u>
Total capital assets, being depreciated	18,668	502	-	19,170
Less accumulated depreciation for:				
Buildings and improvements	(2,112)	(137)	-	(2,249)
Vehicles	(19)	(53)	-	(72)
Infrastructure	<u>(7,668)</u>	<u>(231)</u>	<u>-</u>	<u>(7,899)</u>
Total accumulated depreciation	<u>(9,799)</u>	<u>(421)</u>	<u>-</u>	<u>(10,220)</u>
Total capital assets, being depreciated, net	8,869	81	-	8,950
Capital assets, not being depreciated:				
Land	<u>828</u>	<u>-</u>	<u>-</u>	<u>828</u>
Total capital assets, not being depreciated	<u>828</u>	<u>-</u>	<u>-</u>	<u>828</u>
Business-type activities capital assets, net	<u>\$ 9,697</u>	<u>\$ 81</u>	<u>\$ -</u>	<u>\$ 9,778</u>

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

Governmental Activities:	
General government	\$ 122
Public safety	451
Education	1,791
Public works	745
Culture and recreation	<u>296</u>
Total depreciation expense - governmental activities	<u>\$ 3,405</u>
Business-Type Activities:	
Water	<u>\$ 421</u>
Total depreciation expense - business-type activities	<u>\$ 421</u>

10. **Deferred Outflows of Resources**

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

The following is a summary of deferred outflow of resources balances as of June 30, 2016:

	<u>Entity-wide Basis</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Pension related:		
Net difference between projected and actual pension investment earnings	\$ 3,191,840	\$ 167,992

11. **Warrants and Accounts Payable**

Warrants payable represent 2016 expenditures paid by July 15, 2016. Accounts payable represent additional 2016 expenditures paid after July 15, 2016.

12. Anticipation Notes Payable

The Town had the following notes outstanding at June 30, 2016:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/16
Bond anticipation	0.00%	01/15/12	01/15/17	\$ 6,000
Bond anticipation	2.00%	06/24/16	06/23/17	<u>1,388,159</u>
Total				<u>\$ 1,394,159</u>

The following summarizes activity in notes payable during fiscal year 2016:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
	\$ <u>2,309,455</u>	\$ <u>561,402</u>	\$ <u>(1,476,698)</u>	\$ <u>1,394,159</u>
Total	\$ <u>2,309,455</u>	\$ <u>561,402</u>	\$ <u>(1,476,698)</u>	\$ <u>1,394,159</u>

13. Long-Term Debt

A. General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/16
<u>Governmental Activities:</u>			
Stormwater management	08/01/22	3.00%	\$ 75,000
General purpose refunding	05/15/17	2.00%	4,500
General purpose refunding	05/15/18	2.00%	40,000
Police station construction refunding	05/15/17	2.00%	175,500
General purpose	08/15/16	4.00%	65,000
General purpose	05/15/27	3.25-4.00%	335,000
General purpose	05/15/29	3.00%	2,795,000
School reconstruction refunding	05/15/21	4.50%	5,065,000
Library reconstruction refunding	05/15/21	4.50%	495,000
Septic betterment	08/01/18	0.00%	32,604
Landfill closure refunding	05/15/18	2.00%	155,000
General obligation loan	06/30/32	2.87%	11,035,000
General obligation loan	09/01/34	3.96%	10,165,000
MWPAT T5-97-1140-A	01/15/35	0.00%	279,300
General obligation refunding	05/15/29	2.00-4.00%	<u>12,573,700</u>
Total Governmental Activities:			<u>\$ 43,290,604</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Water building and mains	08/15/16	4.00%	\$ 135,000
Plant and mains	05/15/27	3.25-4.00%	30,000
Alternative Energy	06/30/32	2.87%	570,000
General obligation refunding	5/15/029	2.00-4.00%	<u>2,101,300</u>
Total Business-Type Activities:			<u>\$ 2,836,300</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,075,568	\$ 2,122,949	\$ 6,198,517
2018	3,850,568	2,002,223	5,852,791
2019	3,813,568	1,795,434	5,609,002
2020	3,845,400	1,156,237	5,001,637
2021	3,789,700	999,195	4,788,895
2022 - 2026	13,488,500	3,096,989	16,585,489
2027 - 2031	8,683,500	872,100	9,555,600
2032 - 2036	<u>1,743,800</u>	<u>94,525</u>	<u>1,838,325</u>
Total	<u>\$ 43,290,604</u>	<u>\$ 12,139,652</u>	<u>\$ 55,430,256</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 470,000	\$ 103,000	\$ 573,000
2018	315,000	98,402	413,402
2019	312,000	82,202	394,202
2020	309,300	69,722	379,022
2021	310,000	56,900	366,900
2022 - 2026	970,000	112,800	1,082,800
2027 - 2031	<u>150,000</u>	<u>13,700</u>	<u>163,700</u>
Total	<u>\$ 2,836,300</u>	<u>\$ 536,726</u>	<u>\$ 3,373,026</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/15</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/16</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 47,782	\$ -	\$ (4,492)	\$ 43,290	\$ (4,075)	\$ 39,215
Other:						
Compensated absences	3,526	-	(579)	2,947	(147)	2,800
Bond premium	2,619	-	(305)	2,314	(228)	2,086
Accrued other post-employment benefits	18,960	2,621	-	21,581	-	21,581
Net pension liability	24,911	2,193	-	27,104	-	27,104
Totals	<u>\$ 97,798</u>	<u>\$ 4,814</u>	<u>\$ (5,376)</u>	<u>\$ 97,236</u>	<u>\$ (4,450)</u>	<u>\$ 92,786</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,520	\$ -	\$ (684)	\$ 2,836	\$ (470)	\$ 2,366
Other:						
Compensated absences	125	-	(24)	101	(5)	96
Accrued other post-employment benefits	976	137	-	1,113	-	1,113
Net pension liability	1,311	115	-	1,426	-	1,426
Totals	<u>\$ 5,932</u>	<u>\$ 252</u>	<u>\$ (708)</u>	<u>\$ 5,476</u>	<u>\$ (475)</u>	<u>\$ 5,001</u>

14. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2016:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Governmental Funds</u>			
	<u>Activities</u>	<u>Activities</u>	<u>General Fund</u>	<u>Community Preservation Major</u>	<u>Ambulance Major</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ -	\$ 1,436,427	\$ 11,227	\$ 1,266,452	\$ 198,571
Taxes collected in advance	90,056	-	90,056	-	-	-
Gain on refunding	421,300	213,700	-	-	-	-
Pension related:						
Changes in proportion and differences between contributions and proportionate share of contributions	131,097	6,900	-	-	-	-
	<u>\$ 642,453</u>	<u>\$ 220,600</u>	<u>\$ 1,526,483</u>	<u>\$ 11,227</u>	<u>\$ 1,266,452</u>	<u>\$ 198,571</u>

15. **Restricted Net Position**

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

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

16. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2016:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at June 30, 2016:

	General Fund	School Capital Project Fund	Community Preservation Fund	Ambulance Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	-	166,460	166,460
Restricted						
Bonded projects	-	1,302,435	-	-	-	1,302,435
Debt service	1,562,764	-	-	-	-	1,562,764
Special revenue funds	-	-	-	1,735,924	5,530,329	7,266,253
Expendable permanent funds	-	-	-	-	91,510	91,510
Total Restricted	1,562,764	1,302,435	-	1,735,924	5,621,839	10,222,962
Committed						
Continued appropriations						
General government	271,051	-	-	-	-	271,051
Public safety	89,215	-	-	-	-	89,215
Education	96,563	-	-	-	-	96,563
Public works	109,495	-	-	-	-	109,495
Culture and recreation	25,559	-	-	-	-	25,559
OPEB stabilization	1,298,302	-	-	-	-	1,298,302
Capital stabilization	503,085	-	-	-	-	503,085
Community preservation	-	-	3,388,216	-	-	3,388,216
Total Committed	2,393,270	-	3,388,216	-	-	5,781,486
Assigned						
Encumbrances						
General government	1,714	-	-	-	-	1,714
Public safety	6,129	-	-	-	-	6,129
Education	28,368	-	-	-	-	28,368
Public works	34,795	-	-	-	-	34,795
Health and human services	642	-	-	-	-	642
Employee benefits	75	-	-	-	-	75
Reserved for expenditures	1,770,962	-	-	-	-	1,770,962
Total Assigned	1,842,685	-	-	-	-	1,842,685
Unassigned						
Special revenue funds	-	-	-	-	(270,458)	(270,458)
Capital projects	-	(404,267)	-	-	(946,736)	(1,351,003)
General stabilization	2,107,597	-	-	-	-	2,107,597
Unassigned	3,283,875	-	-	-	-	3,283,875
Total Unassigned	5,391,472	(404,267)	-	-	(1,217,194)	3,770,011
Total Fund Balances	\$ 11,190,191	\$ 898,168	\$ 3,388,216	\$ 1,735,924	\$ 4,571,105	\$ 21,783,604

17. General Fund Unassigned Fund Balance

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

Massachusetts general laws include provisions to allow municipalities to over expend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget shortfalls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

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

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

GAAP basis balance	\$ 5,391,472
Stabilization fund	(2,107,597)
Tax refund estimate	<u>40,650</u>
Statutory (UMAS) Balance	<u>\$ 3,324,525</u>

18. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

19. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2015, the actuarial valuation date, approximately 422 retirees and 561 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 3,942,428
Interest on net OPEB obligation	797,418
Adjustment to ARC	<u>(937,505)</u>
Annual OPEB cost	3,802,341
Contributions made	<u>(1,043,381)</u>
Increase in net OPEB obligation	2,758,960
Net OPEB obligation - beginning of year	<u>19,935,443</u>
Net OPEB obligation - end of year	<u><u>\$ 22,694,403</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 3,802,341	27%	\$ 22,694,403
2015	\$ 3,345,926	56%	\$ 19,935,443
2014	\$ 5,118,809	33%	\$ 18,476,790

The Town's net OPEB obligation as of June 30, 2016 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 37,819
Less actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 37,819</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ 35,989</u>
UAAL as a percentage of covered payroll	<u>105.1%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made

about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an initial annual healthcare cost trend rate of between 2.61% and 6.69%, after the initial year trends start at 8% and decrease to 5% or 6% over 6 to 8 years (depending on health insurance plan). The amortization costs for the initial UAAL is a level percentage of payroll for a period of 23 years. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

20. Retirement System

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

A. Plan Description

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

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements; however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years' creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members volun-

tarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

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

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

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2016 was \$2,849,033, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

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

At June 30, 2016, the Town reported a liability of \$28,530,444 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to

calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town's proportion was 4.498 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$3,305,860. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ <u>3,359,832</u>	\$ <u>137,997</u>
Total	\$ <u><u>3,359,832</u></u>	\$ <u><u>137,997</u></u>

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

Year ended June 30:	
2017	\$ 881,500
2018	881,500
2019	881,500
2020	<u>577,335</u>
Total	\$ <u><u>3,221,835</u></u>

D. Actuarial Assumptions

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

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

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

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

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

E. Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
June 30, 2016	\$ 35,397,177	\$ 28,530,444	\$ 22,641,756

G. Pension Plan Fiduciary Net Position

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

21. **Massachusetts Teachers' Retirement System (MTRS)**

A. Plan Description

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

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

B. Benefits Provided

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

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65.

Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015, rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2015</u>	<u>2014</u>
Global equity	40.0%	6.9%	7.2%
Core fixed income	13.0%	2.4%	2.5%
Private equity	10.0%	8.5%	8.8%
Real estate	10.0%	6.5%	6.3%
Value added fixed income	10.0%	5.8%	6.3%
Hedge funds	9.0%	5.8%	5.5%
Portfolio completion strategies	4.0%	5.5%	0.0%
Timber/natural resources	<u>4.0%</u>	6.6%	5.0%
Total	<u>100.0%</u>		

E. Discount Rate

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

F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7.0%</u>	<u>Current Discount Rate 8.0%</u>	<u>1% Increase to 9.0%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

G. Special Funding Situation

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

H. Town Proportions

In fiscal year 2015 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$60,614,371 and \$4,916,365 respectively, based on a proportionate share of 0.295829%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

22. Risk Management

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

23. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

24. Beginning Net Position Restatement and Reclassification

The beginning (July 1, 2015) net position of the Town has been restated and reclassified as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type Activities <u>Water Fund</u>
As previously reported	\$ 30,963,747	\$ 6,226,589
To reclass MWPAT from Water to nonmajor	190,390	(190,390)
To reclass debt from Water to governmental	<u>(379,000)</u>	<u>379,000</u>
As restated	<u>\$ 30,775,137</u>	<u>\$ 6,415,199</u>

Fund Basis Financial Statements:

	<u>Governmental Funds</u>		<u>Proprietary Funds</u>
	<u>General Fund</u>	Nonmajor Governmental <u>Funds</u>	Water <u>Enterprise</u>
As previously reported	\$ 11,341,412	\$ 5,175,676	\$ 6,226,589
To reclass AHT to General Fund	30,000	(30,000)	-
To reclass MWPAT from Water to nonmajor	-	190,390	(190,390)
To reclass debt from Water to governmental	<u>-</u>	<u>-</u>	<u>379,000</u>
As restated	<u>\$ 11,371,412</u>	<u>\$ 5,336,066</u>	<u>\$ 6,415,199</u>

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

June 30, 2016

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/15	\$ -	\$ 37,819	\$ 37,819	0.00%	\$ 35,989	105.1%
01/01/11	\$ -	\$ 47,798	\$ 47,798	0.00%	\$ 28,675	166.7%
07/01/08	\$ -	\$ 33,604	\$ 33,604	0.00%	\$ 24,891	135.0%

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

Plymouth County Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	4.498%	\$28,530,444	\$ 12,975,337	219.88%	56.80%
June 30, 2015	4.498%	\$26,221,911	\$ 12,506,349	209.67%	58.88%

Massachusetts Teachers' Retirement System

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2016	0.295829%	\$ -	\$ 60,614,371	\$ 60,614,371	\$ 18,752,269	0.00%	55.38%
June 30, 2015	0.293323%	\$ -	\$ 46,627,648	\$ 46,627,648	\$ 17,985,082	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

Plymouth County Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 2,849,033	\$ 2,849,033	\$ -	\$ 12,975,337	21.96%
June 30, 2015	\$ 2,637,067	\$ 2,637,067	\$ -	\$ 12,506,349	21.09%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.