



TIMOTHY M. CRAVEN

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*Certified Public Accountant*

TOWN OF HANOVER, MASSACHUSETTS

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2009

FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133  
YEAR ENDED JUNE 30, 2009

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TOWN OF HANOVER, MASSACHUSETTS  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
YEAR ENDED JUNE 30, 2009

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**TIMOTHY M. CRAVEN**

*Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Hanover, Massachusetts

I have audited the accompanying financial statements of the governmental activities, 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, 2009 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 information of the Town of Hanover, Massachusetts as of June 30, 2009 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have issued my report dated February 12, 2010, on my consideration of the Town of Hanover, Massachusetts' internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of my audit.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Hanover, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying schedules of cash and taxes also are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 12, 2010



TIMOTHY M. CRAVEN

*Certified Public Accountant*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen  
Town of Hanover, Massachusetts

I have audited the financial statements of the governmental activities, 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, 2009, which collectively comprise the Town of Hanover, Massachusetts' basic financial statements and have issued my report thereon, dated February 12, 2010. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Hanover, Massachusetts' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Hanover, Massachusetts' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Hanover, Massachusetts' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Hanover, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Hanover, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the Town of Hanover, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Hanover, Massachusetts' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether Town of Hanover, Massachusetts' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Selectmen, management and others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Timothy M. Craven CPA*

February 12, 2010



**TIMOTHY M. CRAVEN**

*Certified Public Accountant*

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Selectmen  
Town of Hanover, Massachusetts

Compliance

I have audited the compliance of the Town of Hanover, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of Hanover, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Town of Hanover, Massachusetts' management. My responsibility is to express an opinion on the Town of Hanover, Massachusetts' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Hanover, Massachusetts' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Town of Hanover, Massachusetts' compliance with those requirements.

In my opinion, Town of Hanover, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Town of Hanover, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Town of Hanover, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. I do not express an opinion on the effectiveness of the Town of Hanover, Massachusetts' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combinations of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Selectmen, management and others within the Town, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Timothy M. Leary" followed by a stylized monogram or initials.

February 12, 2010

Town of Hanover, Massachusetts  
Management's Discussion and Analysis  
Year Ended June 30, 2009

As management of the Town of Hanover, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

#### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$39,272,205 (net assets). Of this amount, \$9,671,619 (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- The government's total net assets increased by \$1,098,042. This increase is a result of governmental revenues exceeding expenditures.
- As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$29,952,252, an increase of \$18,408,896 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,683,865, or a 4.8% of total governmental expenditures.
- The Town's issued long-term debt of \$20,000,000 for the construction of a new high school, the construction of a new Senior Center, and the construction of new athletic fields.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Hanover's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes of the financial statements.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 period (i.e. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions that are primarily 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, sewer, human services, health and sanitation, culture and recreation, pension benefits, employee benefits, interest, state and county charges and other.

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 statements focus on *near-term inflows of*



Town of Hanover, Massachusetts  
Management's Discussion and Analysis  
Year Ended June 30, 2009

*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 revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Hanover adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds: The Town of Hanover maintains two types of proprietary funds:

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water, ambulance, and food service operations.

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

#### Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. The assets of governmental activities exceeded liabilities by \$39,272,205 at the close of FY2009. Key components of the Town's governmental and business type financial position follow.

For the Town's governmental activities, assets exceeded liabilities by \$31,060,056 at the close of fiscal year 2009.

Governmental Activities:	Fiscal <u>2009</u>	Fiscal <u>2008</u>
<u>Assets:</u>		
Current assets	\$32,421,513	\$14,281,377
Noncurrent assets (excluding capital)	14,325,138	14,413,373
Capital assets:	<u>41,677,331</u>	<u>39,863,707</u>
Total assets:	\$88,423,982	\$68,558,457
<u>Liabilities:</u>		
Current liabilities (excluding debt)	\$ 2,153,756	\$ 2,514,148
Noncurrent liabilities (excluding debt)	15,552,463	15,510,218
Current debt	2,425,872	1,860,872
Noncurrent debt	<u>37,231,835</u>	<u>19,158,700</u>
Total liabilities	\$57,363,926	\$39,043,938

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Management's Discussion and Analysis  
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Net Assets:

Capital assets net of related debt	\$ 2,270,137	\$18,844,135
Restricted	22,348,512	678,707
Unrestricted	<u>6,441,407</u>	<u>9,991,677</u>
Total net assets	\$31,060,056	\$29,514,519

A portion of the Town's net assets, \$2,270,137, (7%) reflects its investment in capital assets (i.e., land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net assets \$6,441,407 (21%), may be used to meet the government's on-going obligations to citizens and creditors.

For the Town's business type activities, assets exceeded liabilities by \$8,212,149 at the close of fiscal year 2009.

Business Type Activities:

	<u>Fiscal 2009</u>	<u>Fiscal 2008</u>
<u>Assets:</u>		
Current assets	\$ 3,505,346	\$ 4,240,039
Capital assets	<u>11,323,577</u>	<u>11,764,730</u>
Total assets:	\$14,828,923	\$16,004,769
<u>Liabilities:</u>		
Current liabilities (excluding debt)	\$ 275,134	\$ 321,371
Current debt	668,592	683,380
Noncurrent debt	<u>5,673,048</u>	<u>6,340,969</u>
Total liabilities	\$ 6,616,774	\$ 7,345,720
<u>Net Assets:</u>		
Capital assets net of related debt	\$ 4,981,937	\$ 4,740,381
Unrestricted	<u>3,230,212</u>	<u>3,918,668</u>
Total net assets	\$ 8,212,149	\$ 8,659,049

Business type net assets of \$4,981,937 (60%) represent investments in capital assets net of related debt. The remaining \$ 3,230,212 (40%) is available to be used for the on-going operation of the Town's water and ambulance service enterprises.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets both for the governments as a whole, as well as for its separate governmental and business-type activities.

Revenue and Expenses

The governmental activities net assets increased by \$1,545,537 during the current fiscal year.

The key elements of the governmental activities are as follows:

Town of Hanover, Massachusetts  
Management's Discussion and Analysis  
Year Ended June 30, 2009

Governmental Activities:	Fiscal <u>2009</u>	Fiscal <u>2008</u>
<u>Program Revenue:</u>		
Charges for services	\$ 2,102,264	\$ 2,250,254
Operating grants and contributions	14,558,129	13,338,737
Capital grants and contributions	507,719	0
<u>General Revenue:</u>		
Real estate and personal property taxes	\$29,547,137	\$28,435,602
Motor vehicle and other excise taxes	1,941,105	2,100,958
Nonrestricted grants	2,953,424	3,322,217
Unrestricted investment income	285,601	557,126
Other revenues	<u>1,032,125</u>	<u>480,101</u>
Total revenues:	\$52,927,504	\$50,484,995
<u>Expenses:</u>		
General Administration	\$ 811,054	\$ 722,220
Financial Administration	933,034	958,511
Community Development	389,133	536,267
Public safety	7,866,067	7,254,737
Education	34,490,807	32,847,635
Public works	4,377,413	4,471,380
Human services	515,568	733,681
Culture and recreation	1,084,227	1,105,154
Debt Service Interest	1,147,698	960,309
Intergovernmental	<u>489,791</u>	<u>451,578</u>
Total expenses:	\$52,104,792	\$50,041,472
Net (Expense) Revenue:	\$ 822,712	\$ 443,523
Transfers:	\$ 722,825	\$ 590,000
Change in net assets:	\$ 1,545,537	\$ 1,033,523

Governmental expenses totaled \$52,104,792 of which \$16,660,393 (31%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$36,267,111, primarily coming from property taxes, motor vehicle excise, lottery and other revenues.

Charges for services represent about 4.0% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by Town Meeting, the Board of Selectmen, and other Town boards and committees are included in this category.

Operating grants and contributions account for 28% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their general fund-operating budget.

Property taxes are the most significant revenue source for the Town's governmental activities. They comprise 56% of all resources.

Education is by far, the largest governmental activity of the Town. A total of \$34,490,807 was expended for education, of which \$14,234,669 was funded by program revenues. The remaining \$20,256,138 was funded by taxes and other revenue.

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Public safety is the second largest activity of the Town. \$7,866,067 of general revenues was needed to cover their FY09 operating expenses.

Business-type activities net assets decreased by \$447,495 during the current fiscal year.

The key elements of the business type activities are as follows:

Business Type Activities:	Fiscal <u>2009</u>	Fiscal <u>2008</u>
Program revenues:		
Charges for services	\$4,219,798	\$4,040,591
Nonoperating grants and contributions	106,555	106,555
General revenues:		
Unrestricted investment income	\$ <u>48,579</u>	\$ <u>120,416</u>
Total revenues	\$4,374,932	\$4,267,562
Expenses:	\$3,994,602	\$3,657,867
Net (Expense) Revenue	\$ 380,330	609,695
Transfers:	\$ (827,825)	\$ (269,024)
Change in net assets	\$ (447,495)	\$ 340,671

#### Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town governmental funds reported combined ending fund balances totaling \$29,952,252.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$2,683,865 while the total fund balance was \$7,603,740. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 6% of the total general fund expenditures, while total fund balance represents 16% of that same amount. Reservation of fund balances for encumbrances and continuing appropriations totaled \$1,628,054.

#### Financial Summary

- Overall, general fund revenue increased 1% compared to FY08. This increase is primarily due to an increase in property taxes.
- Tax revenue continues to be the most significant revenue source for the Town, representing 61% of total general fund revenue. Tax revenue increases in accordance with the provisions of the

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Massachusetts state law, which limits such increase to 2 ½ % over the preceding year plus and allowance for new growth. Tax revenue increased by \$1,098,527 in FY 09.

- Intergovernmental revenue represents 29% of total general fund revenues. This includes state aid as well as \$4,816,036 in payments made by the State to the Massachusetts Teacher's Retirement Association for teachers' pension benefits. Intergovernmental revenue decreased 4% from FY08.
- Motor vehicle revenue continued to be a strong source of revenue. Motor vehicle revenue represents 4% of the total general fund revenues.
- License and permit revenue totaled \$434,450, reflecting a reduction in home renovation and building activity in the Town.
- Expenditures in the general fund increased 3% as compared to FY08 with education and employee benefits being the primary contributors.
- Education continues to represent the largest category of general fund expenditures, approximating 50% in FY09. The Town is committed to providing a high-quality education through its public schools.
- Public Safety and Public Works represent a combined 19% of general fund expenditures. This reflects the Town's commitment to providing a safe, secure environment and essential public services.
- Debt service increased slightly in FY09. Debt service costs in FY09 were 6% of total general fund expenditures, reflecting the Town's on-going commitment to its school building program, public safety facilities and recreation and cultural facilities.
- Employee benefits and pension costs increased from the prior year, continuing a trend of escalating costs.

The Town's general fund balance decreased \$250,061 in fiscal year 2009. Revenue growth was restrained by the sharp recession in economic activity.

The Commonwealth of Massachusetts is obligated to provide school construction assistance for approved school projects. In FY2009, the Town received \$935,474 from the Massachusetts School Building Authority in debt service reimbursement for prior school construction projects and progress payments of \$723,596 for the construction of a new high school.

#### Financial and Management Policies and Systems

Internal controls: Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Finance Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Because the cost of internal controls should not outweigh their benefits, the Town of Hanover's comprehensive framework of internal controls, has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

Town of Hanover, Massachusetts  
Management's Discussion and Analysis  
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Budgetary controls The Town Departments are responsible for preparing and presenting budget requests to the Advisory Committee. The Advisory Committee reviews all requests and Town wide issues and presents a budget to Town Meeting for approval.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing the payment. Additional appropriations may be approved at subsequent Town Meetings. The Advisory Committee may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash management Cash management is handled by the Town Treasurer. The Treasurer monitors the Town's cash flow and provides for the investment of Town funds. The Treasurer seeks to maximize the return on Town funds while maintaining adequate protection and liquidity of funds.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short-term basis to maintain cash flow. The Town's investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk management The Town is exposed to various risks of loss related to general liability, property and casualty, worker's compensation and unemployment compensation claims.

#### General Fund Budgetary Highlights

The difference between the original budget and the final budget was \$256,914 was due primarily to changes to appropriations made at a Special Town Meeting held in May 2009 as a result of a mid-year reduction in state aid.

#### Capital Asset and Debt Administration

In conjunction with the annual operating budget, the Town of Hanover annually prepares a capital budget for the upcoming fiscal year, and a five year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets The Town of Hanover's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$53,000,908 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water improvements, machinery and equipment, park facilities, highways, and bridges. The Town's investment in capital assets for the current year was increased by \$1,372,471.

#### Debt Administration

The Town maintains an "Aa3" bond rating from Moody's Investor Service. The Town continues to maintain strong market access for both note and bond sales. At the end of the fiscal year the Town had total bond debt outstanding of \$45,499,669 of which \$28,380,000 is related to school projects, \$6,028,700 is for water projects, leaving a balance of \$11,090,969 for other CIP related projects. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the Town. The Town has no revenue bonds outstanding, which are bonds secured solely by specific revenue sources.

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total equalized property valuation as determined by the Massachusetts Department of Revenue. This limit could go to 10% with approval of a state oversight board. In addition, certain general obligation debt is exempt from the limit such as debt associated with school construction and many water improvement

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projects. The current debt limitation for the Town of Hanover is approximately \$129,554,110, which is significantly in excess of the Town's outstanding general obligation debt that is subject to this limit.

Economic Factors and Next Year Budget and Rates

- The Commonwealth of Massachusetts reduced funding to the Town for fiscal year 2010 by approximately 9%. Consequently, total FY10 appropriations are reduced from FY09 by approximately 2% as a result of this reduction in addition to anticipated reductions in excise, fees, and other charges.
- New property growth is planned for in FY10, with the Town budgeting about \$175,000 in new tax revenue. This equates to approximately \$16 million in property value.
- Labor costs are budgeted to increase 2.0%.
- Health insurance costs are expected to increase, but not as dramatically as in prior years.

All of these factors were considered in preparing the Town's budget for fiscal year 2010.

At the end of the current fiscal year, the unreserved fund balance in the general fund is \$2,683,865. The town has appropriated \$1,633,478 of free cash to balance the fiscal year 2010 budget.

For Fiscal Year 2009, the Town's residential tax rate was \$11.76 per thousand of valuation. The valuation of all Town property totaled \$2,461,624,835. This is approximately \$160 million below the FY2008 valuation.

For Fiscal Year 2009, the Town's commercial tax rate was \$12.20 per thousand of valuation.

Water rates were not increased in fiscal year 2009. However, a rate increase in FY2010 is anticipated.

TOWN OF HANOVER, MASSACHUSETTS  
TOWN-WIDE STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,421,513	\$ 2,458,996	\$ 34,880,509
Due from other governments	13,230,774	8,537	13,239,311
Taxes receivable	1,266,543		1,266,543
Allowance for abatements	(303,979)		(303,979)
Excises receivable	122,949		122,949
Departmental receivables	0		0
Betterment receivables	8,851		8,851
Accounts receivable, net		1,037,813	1,037,813
Capital assets:			
Land and construction in progress	11,807,841	977,779	12,785,620
Buildings	38,646,762	6,414,692	45,061,454
Improvements	1,056,253		1,056,253
Infrastructure	21,035,137	11,314,747	32,349,884
Equipment	2,877,884		2,877,884
Vehicles	5,080,950	438,591	5,519,541
Less accumulated depreciation	(38,827,496)	(7,822,232)	(46,649,728)
Total capital assets, net of depreciation	41,677,331	11,323,577	53,000,908
Total assets	88,423,982	14,828,923	103,252,905
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	1,786,690	132,754	1,919,444
State aid anticipation notes			
Bond anticipation notes			0
Bond premium	499,007		
Deposits	367,066	85	367,151
Deferred revenues	12,587,832		12,587,832
Long-term liabilities:			
Portion due or payable within one year:			
Bonds payable	2,425,872	668,592	3,094,464
Accrued interest	151,300	24,687	175,987
Portion due or payable after one year:			
Bonds payable	36,732,828	5,673,048	42,405,876
Compensated absences	2,813,331	117,608	2,930,939
Total liabilities	57,363,926	6,616,774	63,980,700
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,270,137	4,981,937	7,252,074
Restricted for:			
Community Preservation funds	3,341,828		3,341,828
Capital projects	17,111,544		17,111,544
Other funds	1,895,140		1,895,140
Unrestricted	6,441,407	3,230,212	9,671,619
Total net assets	\$ 31,060,056	\$ 8,212,149	\$ 39,272,205

See accompanying notes to the basic financial statements.



TOWN OF HANOVER, MASSACHUSETTS  
TOWN-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Indirect Expenses Allocation	Program revenues		Net (Expense) Revenue and Changes in Net Assets	
			Charges for services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
General Administration	\$ (625,498)	\$ (185,556)	\$ 208,794	\$ 2,776	\$ (598,484)	\$ (598,484)
Financial Administration	(730,534)	(202,500)	132,956		(800,078)	(800,078)
Community Development	(319,568)	(68,565)	3,252	52,259	(333,622)	(333,622)
Protection of persons and property	(5,314,716)	(1,551,351)	419,757	187,238	(7,259,072)	(7,259,072)
Education	(26,773,319)	(7,717,488)	840,133	14,234,669	(19,416,005)	(19,416,005)
Public works	(3,644,349)	(733,064)	161,342		(3,708,352)	(3,708,352)
Human services	(404,754)	(110,814)	104,274	507,719	(367,280)	(367,280)
Culture & recreation	(977,312)	(106,915)	231,756	37,173	(815,298)	(815,298)
Debt service interest	(1,147,698)	0			(1,147,698)	(1,147,698)
Intergovernmental	(489,791)				(489,791)	(489,791)
Total governmental activities	(41,427,539)	(10,677,253)	2,102,264	14,558,129	(34,936,680)	(34,936,680)
Business-type activities						
Water department	(3,038,953)	0	2,662,322		(376,631)	(376,631)
Ambulance fund	(200,498)	0	949,328		748,830	748,830
Food services	(755,151)	0	608,148	106,555	(40,448)	(40,448)
Total business-type activities	(3,994,602)	0	4,219,798	106,555	331,751	331,751
Total government	\$ (45,422,141)	\$ (10,677,253)	\$ 6,322,062	\$ 14,664,684	\$ (34,936,680)	\$ (34,604,929)
General revenues:						
Property taxes					29,547,137	29,547,137
Excise taxes					1,941,105	1,941,105
Intergovernmental					2,953,424	2,953,424
Penalties & interest					119,396	119,396
Unrestricted investment earnings					285,601	285,601
Miscellaneous					912,729	912,729
Transfers					722,825	722,825
Total general revenues					36,482,217	36,482,217
Change in net assets					1,545,537	1,545,537
Net assets - beginning					29,514,519	29,514,519
Net assets - ending					\$ 31,060,056	\$ 31,060,056

TOWN OF HANOVER, MASSACHUSETTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

ASSETS	General Fund	Community Preservation Fund	High School Capital Project Fund	Senior Center Capital Project Fund	Other Funds	Governmental Funds
Cash and cash equivalents	\$ 9,581,596	\$ 3,352,346	\$ 14,517,075	\$ 2,594,469	\$ 2,376,027	\$ 32,421,513
Taxes receivable	1,253,163	13,380				1,266,543
Allowance for abatements	(303,979)					(303,979)
Excise receivable	122,301		571,454		648	122,949
Due from other governments	11,263,296				1,396,024	13,230,774
Beitnerment receivables					8,851	8,851
Departmental receivables						0
Total assets	<u>\$ 21,916,377</u>	<u>\$ 3,365,726</u>	<u>\$ 15,088,529</u>	<u>\$ 2,594,469</u>	<u>\$ 3,781,550</u>	<u>\$ 46,746,651</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,653,501	\$ 10,518			\$ 122,671	\$ 1,786,690
Deposits					367,066	367,066
Deferred revenues	12,160,129	13,380	571,454		1,396,673	14,141,636
Due to other funds						0
Bonds premium	499,007					499,007
Bond anticipation notes						0
Total liabilities	<u>14,312,637</u>	<u>23,898</u>	<u>571,454</u>	<u>0</u>	<u>1,886,410</u>	<u>16,794,399</u>
Fund balances:						
Reserved for encumbrances	1,628,054					1,936,381
Reserved for rate stabilization	1,657,418	308,327				1,657,418
Reserved for petty cash	925				13,100	14,025
Unreserved, reported in:						
General fund	2,683,865					2,683,865
Designated for subsequent year appropriations	1,633,478	2,215,101				1,633,478
Community Preservation Fund		818,400				2,215,101
Designated for subsequent year appropriations						818,400
Capital projects			14,517,075	2,594,469		17,111,544
Other funds						1,882,040
Total fund balances	<u>7,603,740</u>	<u>3,341,828</u>	<u>14,517,075</u>	<u>2,594,469</u>	<u>1,882,040</u>	<u>29,952,252</u>
Total liabilities and fund balances	<u>\$ 21,916,377</u>	<u>\$ 3,365,726</u>	<u>\$ 15,088,529</u>	<u>\$ 2,594,469</u>	<u>\$ 3,781,550</u>	<u>\$ 46,746,651</u>

See accompanying notes to the basic financial statements.  
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TOWN OF HANOVER, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET ASSETS  
YEAR ENDED JUNE 30, 2009

<b>Total fund balance - governmental funds</b>		\$ 29,952,252
Amounts reported for governmental activities in the statement of net assets are different because:		
Other long-term assets (receivables) are not available to pay current-period expenditures, and, therefore, are deferred in the funds. These include real estate, personal property, and excise taxes.		1,553,801
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet, net of accumulated depreciation of \$38,827,496		41,677,331
Long-term liabilities, including bonds payable, are not due and payable in the current period and they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	\$ 39,158,700	
Accrued interest on bonds	151,300	
Compensated absences (sick pay and vacations)	<u>2,813,331</u>	<u>(42,123,328)</u>
<b>Total net assets - governmental activities</b>		<u><u>\$ 31,060,056</u></u>

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General Fund	Community Preservation Fund	High School Capital Project Fund	Senior Center Capital Project Fund	Other Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 28,872,846	\$ 674,291		\$	\$	\$ 29,547,137
Excise taxes	1,939,572				1,533	1,941,105
Departmental	457,236				1,966,282	2,423,518
Intergovernmental	13,840,233	517,713	723,596		2,049,184	17,130,726
Fees	434,450					434,450
Fines						
Penalties & interest	98,651					98,651
Reimbursement of allocated costs	119,396					119,396
Unrestricted investment earnings	722,825					722,825
Miscellaneous	285,601	52,259			1,025	338,885
Total revenues	703,780				123,195	826,975
	<u>47,474,590</u>	<u>1,244,263</u>	<u>723,596</u>	<u>0</u>	<u>4,141,219</u>	<u>53,583,668</u>
<b>EXPENDITURES</b>						
Current						
General administration	690,054					694,554
Financial Administration	638,541				4,500	733,117
Community development	14,524				94,576	320,954
Protection of persons and property	6,000,378	306,430				6,096,528
Education	24,016,250					26,256,822
Public works	3,021,862				96,150	3,448,030
Human services	316,141				2,240,572	344,143
Culture & recreation	541,949				426,168	781,568
Insurance	249,296				28,002	301,501
Intergovernmental	489,791				239,619	489,791
Employee benefits	9,326,279				52,205	9,951,479
Debt service					625,200	
Principal	1,785,872	75,000				1,860,872
Interest	990,352	61,756				1,052,108
Capital outlay		694,677	2,169,461	349,170	0	3,213,308
Total expenditures	<u>48,081,289</u>	<u>1,137,863</u>	<u>2,169,461</u>	<u>349,170</u>	<u>3,806,992</u>	<u>55,544,775</u>
Excess (deficiency) of revenues over expenditures	(606,699)	106,400	(1,445,865)	(349,170)	334,227	(1,961,107)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Proceeds						
Transfers from other funds	356,638	1,000,000	16,000,000	3,000,000		20,000,000
Transfers to other funds					(346,638)	356,638
Net other financing sources (uses)	<u>356,638</u>	<u>1,000,000</u>	<u>16,000,000</u>	<u>3,000,000</u>	<u>(346,638)</u>	<u>20,010,000</u>
Net change in fund balance	(250,061)	1,106,400	14,554,135	2,650,830	(12,411)	18,048,893
Fund balances - July 1, 2008	7,853,803					
Fund balances - June 30, 2009	<u>\$ 7,603,742</u>	<u>\$ 3,341,827</u>	<u>\$ 14,517,075</u>	<u>\$ 2,594,470</u>	<u>\$ 1,895,136</u>	<u>\$ 29,952,250</u>

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO TOWN-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

<b>Total net change in fund balances - governmental funds</b>	<b>\$ 18,048,893</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statements of activities that do not provide current financial resources are not reported as revenues in the funds. These include the recognition of unavailable deferred revenue of \$56,661	56,661
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized items (\$3,213,308) exceed depreciation (\$1,648,179) in the period.	1,565,129
Proceeds from the issuance of long term debt provides current financial resources and is reflected as a financing sources in governmental funds	(20,000,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,860,872
In the statement of activities, certain operating expenses - compensated absences (sick leave and vacations) - are measured by the amounts earned during the year. This year, vacation and sick leave used exceeded the amounts earned by \$109,573.	109,573
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(95,591)
<b>Changes in net assets of governmental activities</b>	<b><u>\$ 1,545,537</u></b>

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
RECONCILIATION OF GENERAL FUND BUDGETARY REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
TO GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ON THE GAAP BASIS  
YEAR ENDED JUNE 30, 2009

	REVENUES	EXPENDITURES	OTHER FINANCING SOURCES (USES)
Governmental fund general fund - GAAP basis.	\$ 48,710,069	\$ 48,817,764	\$ (107,695)
Non-budgeted on-behalf payments made by the Commonwealth of Massachusetts to the Massachusetts Teachers' Retirement Board.	(4,816,036)	(4,816,036)	
Use of available fund to balance the budget			324,279
Transfer from the Ambulance business-type activity fund.	(520,000)		520,000
Transfer from Water Enterprise fund	(307,825)		307,825
Transfer to Stabilization fund			(50,000)
Interest income on the Town's stabilization reserve fund which is not budgeted in the general fund.	(36,130)		
Net effect of GAAP accounting for encumbrances.		(859,000)	
Adjustment for revenue recognition on the modified accual basis.	(881,759)		
	<u>\$ 42,148,319</u>	<u>\$ 43,142,728</u>	<u>\$ 994,409</u>

See accompanying note to the basic financial statements.  
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TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Water Department	Ambulance Fund	Food Services	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,654,627	\$ 763,553	\$ 40,816	\$ 2,458,996
Due from other governments			8,537	8,537
Accounts receivable, net	838,419	199,394		1,037,813
Total current assets:	<u>2,493,046</u>	<u>962,947</u>	<u>49,353</u>	<u>3,505,346</u>
Capital assets:				
Land and construction in progress	977,779			977,779
Buildings	6,414,692			6,414,692
Infrastructure	11,314,747			11,314,747
Vehicles		438,591		438,591
Less: accumulated depreciation	(7,531,499)	(290,733)		(7,822,232)
Total capital assets, net of depreciation	<u>11,175,719</u>	<u>147,858</u>		<u>11,323,577</u>
Total assets	<u>13,668,765</u>	<u>1,110,805</u>	<u>49,353</u>	<u>14,828,923</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	116,281	4,034	12,439	132,754
Current portion of long-term debt	568,592	100,000		668,592
Interest payable	24,687			24,687
Anticipation notes payable				0
Deposits	85			85
Total current liabilities	<u>709,645</u>	<u>104,034</u>	<u>12,439</u>	<u>826,118</u>
Non-current liabilities:				
Long-term portion of long-term debt	5,583,048	90,000		5,673,048
Compensated absences	92,012		25,596	117,608
Total non-current liabilities	<u>5,675,060</u>	<u>90,000</u>	<u>25,596</u>	<u>5,790,656</u>
Total liabilities	<u>6,384,705</u>	<u>194,034</u>	<u>38,035</u>	<u>6,616,774</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,024,079	(42,142)		4,981,937
Unrestricted	2,259,981	958,913	11,318	3,230,212
Total net assets	<u>\$ 7,284,060</u>	<u>\$ 916,771</u>	<u>\$ 11,318</u>	<u>\$ 8,212,149</u>

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Water Department	Ambulance Fund	Food services	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,662,322	\$ 949,328	\$	\$ 3,611,650
Food service sales			608,148	608,148
Total operating revenues	<u>2,662,322</u>	<u>949,328</u>	<u>608,148</u>	<u>4,219,798</u>
<b>OPERATING EXPENSES</b>				
Payroll	1,145,289		366,492	1,511,781
Supplies and materials	1,018,382	17,727	388,659	1,424,768
Other operating costs	225,352	105,000		330,352
Allocated costs	307,825	520,000		827,825
Depreciation	373,432	67,721		441,153
Total operating expenses	<u>3,070,280</u>	<u>710,448</u>	<u>755,151</u>	<u>4,535,879</u>
Operating income (loss)	(407,958)	238,880	(147,003)	(316,081)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grants income			106,555	106,555
Investment income	48,579			48,579
Interest expense	(276,498)	(10,050)		(286,548)
Total nonoperating revenues (expenses)	<u>(227,919)</u>	<u>(10,050)</u>	<u>106,555</u>	<u>(131,414)</u>
Change in net assets	(635,877)	228,830	(40,448)	(447,495)
Total net assets - July 1, 2008	<u>7,919,937</u>	<u>687,941</u>	<u>51,766</u>	<u>8,659,644</u>
Total net assets - June 30, 2009	<u>\$ 7,284,060</u>	<u>\$ 916,771</u>	<u>\$ 11,318</u>	<u>\$ 8,212,149</u>

See accompanying notes to the basic financial statements.



TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	Water Department	Ambulance Fund	Food Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from user charges	\$ 2,662,322	\$ 800,667	\$ 608,148	\$ 4,071,137
Payments to employees for services	(1,145,041)		(366,492)	(1,511,533)
Payments to suppliers for good and services	(1,570,602)	(17,727)	(405,329)	(1,993,658)
Transfers to other funds for allocated costs	0	(520,000)		(520,000)
Net cash provided (used) by operating activities	(53,321)	262,940	(163,673)	45,946
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Nonoperating grants received			106,555	106,555
Net cash provided (used) by noncapital financing activities	0	0	106,555	106,555
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on bonds	(577,114)	(105,000)		(682,114)
Proceeds from long-term debt				0
Proceeds from short-term debt	0			0
Principal paid on short-term debt				0
Interest paid on bonds	(276,498)	(10,050)		(286,548)
Acquisition of fixed assets			0	0
Net cash provided (used) by capital and related financing activities	(853,612)	(115,050)	0	(968,662)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	48,579	0	0	48,579
Net cash provided (used) by investing activities	48,579	0	0	48,579
Net increase in cash and cash equivalents	(858,354)	147,890	(57,118)	(767,582)
Cash and cash equivalents - July 1, 2008	2,512,981	615,663	97,934	3,226,578
Cash and cash equivalents - June 30, 2009	\$ 1,654,627	\$ 763,553	\$ 40,816	\$ 2,458,996
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>				
Operating income (loss)	\$ (407,879)	\$ 238,880	\$ (181,643)	\$ (350,642)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used			33,732	33,732
Depreciation	373,432	67,721		441,153
Allowance for doubtful accounts				0
Changes in assets and liabilities:				0
Accounts payable	(34,546)	2,902	(15,270)	(46,914)
Receivables	14,582	(46,563)		(31,981)
Compensated absences	3,536		(492)	3,044
Accrued liabilities	(2,367)			(2,367)
Net cash provided (used) by operating activities	(53,321)	262,940	(163,673)	45,946
<b>NONCASH NONCAPITAL FINANCING ACTIVITIES</b>				
During the year, the Town received \$33,732 of food commodities from the U.S. Department of Agriculture.				

See accompanying notes to the basic financial statements

TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2009

	Private - purpose Trusts	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 359,352	\$ 797,560
Investments	280,808	
Total assets	<u>640,160</u>	<u>\$ 797,560</u>
<b>LIABILITIES</b>		
Deposits		\$ 797,560
Total liabilities		<u>\$ 797,560</u>
<b>NET ASSETS, held for specific purposes</b>	<u>\$ 720,146</u>	

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2009

	Private - purpose Trusts
<b>ADDITIONS</b>	
Contributions	<u>\$ 0</u>
Investment income:	
Interest and dividends	5,760
Net appreciation in fair value of investments	<u>(71,215)</u>
Net investment gain	<u>(65,455)</u>
<b>Total additions</b>	<u>(65,455)</u>
<b>DEDUCTIONS</b>	
Transfer to other funds	(10,000)
Miscellaneous expenses	<u>(4,530)</u>
<b>Total deductions</b>	<u>(14,530)</u>
Change in net assets	(79,985)
Net assets - July 1, 2008	720,145
Net assets - June 30, 2009	<u><u>\$ 640,160</u></u>

See accompanying notes to the basic financial statements.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies:

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hanover, Massachusetts, (Town) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2009.

(a) Reporting entity:

The basic financial statements present information on organizations and activities of the Town of Hanover, Massachusetts. The criteria, as defined by GASB codification 2100, for inclusion of organizations and activities in the oversight entity's general-purpose financial statements are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability over fiscal matters and scope of public service. The inclusion of organizations and activities in the Town's basic financial statements does not affect their separate legal standing. These organizations and activities include the Town's Water Department and the Public School System, since the Town controls their operations.

The operations of the North River Collaborative, the Hanover Housing Authority, the South Shore Regional School District and the Plymouth County Claims Trust Fund are not part of the defined reporting entity and therefore, are not included in the general-purpose financial statements of the Town. These organizations are excluded because none falls within the oversight responsibility of the Town, they are not subject to the financial controls of the Town, and no financial interdependency exists.

(b) Government-wide and fund financial statements:

Town-wide financial statements:

The town-wide financial statements include the statement of net assets and the statement of activities. These financial statements report financial information for the Town as a whole excluding fiduciary activities such as private-purpose trust funds and agency funds. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which report certain fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions, which finance annual operating including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

(c) Measurement focus, basis of accounting, and financial statement presentation:

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal elimination does not include utility and certain other services provided by Town departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when received in cash.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies - continued:

(c) Measurement focus, basis of accounting, and financial statement presentation - continued:

Operating income reported in proprietary funds financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

(d) Fund types and major funds:

Governmental funds:

The Town reports the following major governmental funds:

General Fund - reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

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

High School Construction Fund – reports activities related to the construction of a new high school whose costs are funded in part by the Massachusetts School Building Authority and through long-term debt.

Senior Center Construction Fund – reports activities related to the construction of a new Senior Center facility whose costs are principally funded through long-term debt.

Proprietary funds:

The Town reports the following major enterprise funds:

Water Department - accounts for water treatment and distribution.

Food services fund - account for activities related to the Town's school lunch program.

Ambulance fund - accounts for activity related to the operation of the Town's ambulance service. Certain costs, principally personnel related are borne by the general fund, as all personnel involved in the delivery of ambulance services are also committed in the area of fire suppression.

Other fund types:

Private purpose trust funds - accounts for activities of trust funds under Town control for which the primary beneficiaries of the funds are individuals.

Agency fund - accounts for the fiduciary assets held by the Town in a custodial capacity as an agent or on behalf of others. The Town's agency fund is used to account for various deposits and escrow monies.

(e) Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

(f) Investments:

Investments are stated at fair value.

(g) Inventory:

Inventory items (materials and supplies) are recorded as expenditures when purchased (purchase method).

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies - continued:

(h) Retirement plans:

The Town participates in a defined benefit pension plan under the Plymouth County Retirement Association for all full-time Town employees, except for School Department teaching staff. The School Department teaching staff is eligible to participate in the Commonwealth of Massachusetts Teachers' Retirement System.

(l) Capital assets, depreciation, and amortization:

The Town's property, plant and equipment, and infrastructure assets with useful lives of more than one year are stated at historical, or estimated historical, cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund. Donated fixed assets are stated at their fair value on the date donated. The Town generally capitalizes assets with cost of \$100,000 or more as purchase and construction outlays occur. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful live, in years, for depreciable assets are as follows:

Buildings and improvements	40
Infrastructure	40 - 50
Vehicles	5 - 15
Equipment	5 - 10

(j) Compensated absences:

Employees earn vacation and sick leave as they provide services in accordance with various departmental policies and contractual agreements. School Department and other Town employees may accumulate unused sick leave and upon retirement or death, be compensated for certain amounts at their then rates of pay. Certain School Department employees may accumulate unused vacation time earned and, upon retirement, termination or death, are compensated for certain amounts at their then rates of pay. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Government funds reports only matured compensated absences payable to currently terminating employees and are included in accounts payable and accrued expenses.

(k) Property, plant and equipment - business-type activities:

The cost of property, plant and equipment of the business activities is capitalized, and assets are depreciated on a straight-line basis over their useful lives, in years, as follows:

Buildings, improvements, and infrastructure	20 - 45
Machinery & Equipment	7 - 20
Vehicles	5 - 15

2. Property taxes:

Real and personal property taxes are based on values assessed as of each January 1 and are due on the subsequent August 1, November 1, February 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables, net of a provision for abatements and exemptions, in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting described in Note 1(c).

A statewide tax limitation statute known as "Proposition 2-1/2" limits the property tax levy to an amount equal to 2-1/2% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 taxing limitations can be overridden by a Town-wide referendum vote.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

3. Budgetary accounting:

The Town prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The statement of revenues, expenditures, and changes in fund balances- budget to actual - budgetary basis - general fund presents a comparison of the legally adopted budget with actual data on a budgetary basis.

The major differences between the budgetary basis of accounting and GAAP are that:

- (1) Tax revenues are recorded when levied and other revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- (2) Encumbrances related to current year appropriations are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).
- (3) The Town does not budget either the revenue or expenditure related to the Commonwealth of Massachusetts' on-behalf payment to the Massachusetts Teachers Retirement Board related to the Town's teaching staff.
- (4) Investment income earned on stabilization fund reserve is not budgeted as a revenue item in the general fund (budget) as opposed to being recorded as revenue in the general fund (GAAP).

The budgets for all departments and operations of the Town are prepared under the direction of the Advisory Committee and approved by Town Meeting vote. Supplemental appropriations and transfers between budget line items (except Advisory Committee reserve fund transfers) must be approved by Town Meeting or Special Town Meeting vote.

4. Cash and temporary investments:

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is reflected on the general-purpose financial statements under the caption "cash and temporary investments." The method of allocating interest earned on pooled cash and temporary investments among governmental fund types provides that, unless otherwise restricted, all interest is recorded in the General Fund. The interest earnings attributable to each fund type are included under "investment income." In addition, separate investments are maintained for certain funds and are reflected in the general-purpose financial statements in the same manner.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust.

The composition of the Town's deposits and investments fluctuates depending primarily on the timing of real estate tax receipts and operating and capital outlays throughout the year.

In addition, the Town's fiduciary fund types have additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

Cash and temporary investments:

At year-end, the bank balance was \$37,408,887 and the carrying amount of the Town's deposits was \$36,037,420 (including petty cash of \$14,025). Of the bank balance \$1,922,737 was covered by federal depository insurance, and \$35,415,150 was uninsured and uncollateralized.

Investments:

The Town's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Town's name.

Description	Fair Value	Category
Corporate stocks	\$ 280,808	2

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

5. Bonds and notes payable:

Chapter 44, Section 10, of the Massachusetts General Laws permits the issuance of bonds up to 5% of the equalized valuation, plus an additional amount which would bring the total up to, but less than, 10% with the approval of the Emergency Finance Board.

The following is a computation of the legal debt margin as of June 30, 2009.

Equalized valuation – personal property and real estate, January 1, 2009			\$ 2,591,082,200
Debt limit – 5.0% of equalized valuation			\$ 129,554,110
Total debt (including authorized and unissued of \$50,870,500)	\$ 96,370,169		
Less debt outside debt limit	( 6,028,700)		90,341,469
Legal debt margin			\$ 39,212,641

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2009.

Bonds payable at July 1, 2008	
Bonds issued	\$ 28,043,921
Principal payments	20,000,000
Bonds payable at June 30, 2009	( 2,544,252)
	\$ 45,499,669

As of June 30, 2009, the Town had the following outstanding long-term debt:

	Date of Issue	Fiscal Year of Maturity	Original Principal Amount	Interest Rate	Amount Outstanding at June 30, 2009
Inside debt limit:					
General Purpose	5/15/98	2017	\$ 1,975,500	4.50-4.75%	\$ 95,000
Police Station Construction	5/15/98	2017	3,280,000	4.50-4.90%	1,380,000
General Purpose	5/15/00	2018	1,620,000	5.35-7.80%	345,000
School Reconstruction	6/15/01	2021	14,850,000	4.00-5.00%	10,560,000
Library Reconstruction	6/15/01	2021	2,390,000	4.00-5.00%	1,390,000
General Purpose	6/15/02	2012	2,315,000	3.00-3.875%	255,000
Stormwater Management	11/26/02	2023	189,825	3.0%	140,969
General Purpose	6/15/04	2019	465,000	3.25-4.50%	135,000
General Purpose	8/15/06	2010	1,405,000	4.00%	1,690,000
General Purpose	6/15/08	2027	3,870,000	3.25%-4.00%	3,480,000
General Purpose	5/15/09	2029	20,000,000		20,000,000
					<u>39,470,969</u>
Outside debt limit:					
Well and Mains	5/15/98	2015	744,500	4.50-4.75%	125,000
Landfill Closure	5/15/00	2018	1,060,000	5.30-7.80%	630,000
Septic Betterment	10/25/00	2018	195,676	None	108,700
Plant Design and Mains	6/15/02	2012	1,100,000	3.00-3.875%	330,000
Plant Construction and Mains	6/15/04	2024	5,635,000	3.25-4.80%	4,195,000
Water Building and Mains	8/15/06	2017	1,270,000	4.00%	335,000
Plant and Mains	6/15/08	2017	340,000	3.25%-4.00%	305,000
					<u>6,028,700</u>
					<u>\$45,499,669</u>



TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

5. Bonds and notes payable - continued:

Debt service to maturity consists of the following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending June 30, 2010	\$ 3,119,464	\$ 1,925,280	\$ 5,044,744
2011	3,079,726	1,808,780	4,888,506
2012	3,054,995	1,683,505	4,738,500
2013	2,780,272	1,571,606	4,351,878
2014	2,820,872	1,451,540	4,272,412
Thereafter	<u>30,644,340</u>	<u>8,837,675</u>	<u>39,482,015</u>
	<u>\$ 45,499,669</u>	<u>\$ 17,278,386</u>	<u>\$ 62,778,055</u>

Bonds authorized and unissued at June 30, 2009 consist of the following:

Inside debt limit:

School Remodeling and Repairs	\$ 46,977,000
Vehicles and Equipment	4,000
Recreation Field Construction	1,640,000
Building Repairs & Design	1,249,500
Wind Turbine Construction	<u>1,000,000</u>
	<u>\$ 50,870,500</u>

The Town is a member of the Massachusetts Bay Transportation Authority and the South Shore Regional School District. The following table sets forth the Town's fiscal 2009 assessment for debt and operations:

<u>Overlapping Entity</u>	<u>Estimated Percentage</u>	<u>Assessment</u>
Massachusetts Bay Transportation Authority	-	\$ 89,501
South Shore Regional School District	12%	\$ 726,460

6. Retirement plans:

Town employees, except teaching staff:

Plan description:

The Town's full-time employees, except for School Department teaching staff, participate in the Plymouth County Retirement System ("System" or "PCRS"), a cost-sharing, multiple-employer public employee retirement system, administered by the Plymouth County Retirement Board. The PCRS plan provides retirement and disability benefits, annual cost-of-living adjustments, and health benefits to the plan members and beneficiaries as allowed by Chapter 32 of the Massachusetts General Laws, as amended. The Plymouth County Retirement system issues a publicly available financial report that may be obtained by writing the Plymouth County Retirement Board.

Funding policy:

Covered employees are required by state statute to contribute 5% to 9% of their salaries, depending upon the employee's date of employment, and for those employees hired after December 31, 1978, an additional 2% of their salary in excess of \$30,000, to the plan. For fiscal year 2009, the Town's annual contribution was determined by the State Division of Public Employee Retirement Administration (PERA) in accordance with Chapter 32, Section 22, paragraph (b 1/2) of subdivision (1). The Town's contributions to the PCRS for the years ended June 30, 2009, 2008, and 2007 were \$1,790,117, \$1,672,641, and \$1,340,819, respectively. For each year, the amount contributed represented 100% of the required amount.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

6. Retirement plans - continued:

Teaching staff:

Plan description:

The teaching staff of the Town is covered by the Massachusetts Teachers' Retirement System (MTRS). The Town is not legally required to contribute to MTRS. MTRS is fully funded by the Commonwealth of Massachusetts and by contributions from covered employees. The amount of the current funding by the Commonwealth was \$4,584,559. All full-time teaching staff is covered by and must participate in MTRS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Funding policy:

Covered employees are required by state statute to contribute 5% to 11% of their salaries, depending upon the employee's date of employment, and for those employees hired after December 31, 1978, an additional 2% of their salary in excess of \$30,000, to the plan. The Commonwealth is required to make actuarially determined contributions that maintain the financial integrity of the retirement system.

7. 2010 Budget:

The Town has authorized a fiscal 2010 operating and capital budget totaling \$45,485,789, which will be financed from the following sources:

Fiscal 2010 tax levies, state grants, departmental receipts, etc.	\$ 43,444,035
Available surplus	1,248,929
Other available funds	<u>792,825</u>
	<u>\$ 45,485,789</u>

In addition, the Town has encumbered funds and carried forward appropriations totaling \$1,628,054 from fiscal year 2009 and prior years for projects authorized by the Town meeting but not completed.

8. Commitments and contingencies:

The Town receives financial assistance from various federal, state, and local government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund types. However, in the opinion of management, any such disallowed costs will not have a material effect on the general-purpose financial statements of the Town at June 30, 2009.

Pending or threatened lawsuits against municipal governments arise in the ordinary course of operations. In the opinion of the administration, the ultimate resolution of any of these legal actions at this date will not result in a material loss to the Town.

9. Postemployment benefits other than pension benefits:

In addition to the pension benefits described in Note 6, the Town provides postretirement health care and life insurance benefits, in accordance with state statutes, to all full-time employees who retire from the Town on or after attaining age 55 or with 20 years of credited service. Currently, 225 retirees are provided postretirement health insurance benefits and 189 retirees are provided postretirement life insurance benefits. The Town pays approximately 50% of medical and life insurance premiums for the retirees and their dependents. The Town recognizes the cost of providing these benefits by expensing premiums in the year paid ("pay-as-you-go" method). The cost incurred in fiscal 2009 (net of retiree contributions) was \$650,530.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Town provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured. The program is offered for a duration of 18 months after the termination date. There is no associated cost to the Town under this program, and there were 2 participants in the program at June 30, 2009.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

10. Intergovernmental receivables:

Intergovernmental receivables principally include amounts due from the Massachusetts School Building Authority (MSBA) (\$11,225,692) and the Commonwealth of Massachusetts for road construction (\$1,362,140). Revenue related to the amount due from the MSBA has been deferred since it will be received in annual installments 935,474 through fiscal year 2021. Revenue related to the road construction project has likewise been deferred since it will not be received until the Town makes eligible expenditures.

11. Town retiree health plan:

Plan description. The Town of Hanover, Massachusetts contributes to the Plymouth County Health Group (Group), a cost-sharing multiple-employer defined benefits plan that provides health insurance to current and retired employees of the Town, established under Chapter 32B, Section 12 of the Massachusetts General Laws, as amended. It is administered by the Plymouth County, Massachusetts, Commissioners. The Group issues a publically available financial report that includes financial statements and required supplementary information for the Group. A copy of the report may be obtained from the Plymouth County Commissioners' Office in Plymouth, Massachusetts.

Funding policy. Massachusetts General Laws provide for monthly contributions bases on established premium rates determined principally on the "pay-as-you-go" method for both current and retired employees. The Town's contributions in 2007, 2008, and 2009 were \$2,313,292, \$2,431,530 and \$2,449,174, respectively and represent 100% of the required contributions. See Note 9.

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

12.

The following table provides a summary of changes in capital assets (in thousands):

Governmental activities:

	ASSETS			DEPRECIATION			Net Book Value June 30, 2009
	Beginning Balance July 1, 2008	Transfers, Deletions, Additions	Ending Balance June 30, 2009	Beginning Balance July 1, 2008	Transfers, Deletions, Additions	Ending Balance June 30, 2009	
<b>General administration</b>							
Land	\$ 3,393	\$	\$ 3,393				\$ 3,393
Buildings	615		615	(481)	(15)	(496)	119
	4,008	0	4,008	(481)	(15)	(496)	3,512
<b>Community development</b>							
Land	3,132	700	3,832	0	0	0	3,832
	3,132	700	3,832	0	0	0	3,832
<b>Protection of persons and property</b>							
Land							
Buildings	289		289				289
Vehicles	4,481		4,481	(1,593)	(112)	(1,705)	2,776
Improvements	2,873		2,873	(2,498)	(93)	(2,591)	282
Equipment	295		295	(258)	(27)	(285)	10
	492		492	(165)	(24)	(189)	303
	8,430	0	8,430	(4,514)	(256)	(4,770)	3,660
<b>Public works</b>							
Land	200		200				200
Buildings	448		448	(381)	(11)	(392)	56
Vehicles	1,906		1,906	(1,786)	(27)	(1,813)	93
Improvements	113		113	(71)	(6)	(77)	36
Equipment	2,058		2,058	(967)	(90)	(1,057)	1,001
Infrastructure	21,035		21,035	(13,294)	(402)	(13,696)	7,339
	25,760	0	25,760	(16,499)	(536)	(17,035)	8,725
<b>Human services</b>							
Land	2		2				2
Buildings	35		35	(25)	(1)	(26)	9
Vehicles	59		59	(59)	(59)	(118)	(59)
	96	0	96	(84)	(60)	(144)	(48)
<b>Education</b>							
Land							
Buildings	521		521				521
Equipment	25,339		25,339	(12,645)	(546)	(13,191)	12,148
Improvements	277		277	(29)	(13)	(42)	235
Vehicles	604		604	(423)	(27)	(450)	154
	293		293	(293)	(293)	(293)	0
	27,034	0	27,034	(13,390)	(586)	(13,976)	13,058

TOWN OF HANOVER, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

12.

The following table provides a summary of changes in capital assets (in thousands) - continued:

	ASSETS			DEPRECIATION			Net Book Value
	Beginning Balance July 1, 2008	Transfers, Deletions, Additions	Ending Balance June 30, 2009	Beginning Balance July 1, 2008	Transfers, Deletions, Additions	Ending Balance June 30, 2009	June 30, 2009
Culture & recreation							
Land	809		809				809
Buildings	7,729		7,729	(2,173)	(190)	(2,363)	5,366
Improvements	44		44	(38)	(4)	(42)	2
	8,582		8,582	(2,211)	(194)	(2,405)	6,177
Total governmental activities	\$ 77,042	\$ 700	\$ 77,742	\$ (37,179)	\$ (1,647)	\$ (38,826)	\$ 38,916
Business-type activities:							
Water Department							
Land	\$ 977	\$	\$ 977	\$	\$		\$ 977
Buildings	6,415		6,415	(996)	(145)	(1,141)	5,274
Infrastructure	11,315		11,315	(6,161)	(228)	(6,389)	4,926
	18,707	0	18,707	(7,157)	(373)	(7,530)	11,177
Ambulance fund							
Vehicles	439		439	(223)	(68)	(291)	148
Total business-type activities:	\$ 19,146	\$ 0	\$ 19,146	\$ (7,380)	\$ (441)	\$ (7,821)	\$ 11,325

TOWN OF HANOVER, MASSACHUSETTS

SCHEDULE OF CASH

JUNE 30, 2009

DETAIL OF BALANCES

Interest bearing:	
Reliance Bank	\$ 2,000,012
Rockland Trust Company	252,103
Massachusetts Municipal Depository Trust	4,809,295
TD Banknorth	24,967
Citizens Bank	28,893,817
Unibank	34,993
Weymouth Bank	8,208
Non-interest bearing:	
Petty cash	<u>14,025</u>
Total	<u>\$ 36,037,420</u>

TOWN OF HANOVER, MASSACHUSETTS  
SCHEDULE OF TAXES  
YEAR ENDED JUNE 30, 2009

	UNCOLLECTED TAXES June 30, 2008	Commitments	Abatements and Adjustments	Transfer to Tax Title	Collections, Net of Refunds	UNCOLLECTED TAXES June 30, 2009	Per Tax Collector's Detail Listing
REAL ESTATE							
	2007 \$ 19,343	\$ 6,657	\$ (24,015)	\$	\$ 990	\$ 2,975	\$ 2,975
	2008 388,932		(39,031)		(298,506)	51,395	51,395
	2009 408,275	28,554,753	(163,375)		(27,832,563)	558,815	558,815
		28,561,410	(226,421)	0	(28,130,079)	613,185	613,185
PERSONAL PROPERTY							
	2007 26		(26)			0	0
	2008 9,652		(28)		(7,279)	2,345	2,345
	2009 9,678	607,541	(356)		(594,811)	12,374	12,374
		607,541	(410)	0	(602,090)	14,719	14,719
TOTAL TAXES RECEIVABLE	\$ 417,953	\$ 29,168,951	\$ (226,831)	\$ 0	\$ (28,732,169)	\$ 627,904	\$ 627,904
MOTOR VEHICLE EXCISE							
2006 AND PRIOR	2007 \$ 38,633	\$ 1,464	\$ (2,284)	\$	\$ (7,286)	\$ 30,527	\$ 30,527
	2008 25,005	14,882	(4,200)		(21,114)	14,573	14,573
	2009 80,268	421,480	(80,164)		(395,997)	25,587	25,587
TOTAL	143,906	1,612,526	(47,741)		(1,513,820)	50,965	50,965
		2,050,352	(134,389)		(1,938,217)	121,652	121,652
VESSEL EXCISE							
2008 AND PRIOR	2007 748	19	(123)		(388)	256	256
		1,668	(116)		(1,160)	392	392
	748	1,687	(239)		(1,548)	648	648
TOTAL MOTOR VEHICLE AND OTHER EXCISES	\$ 144,654	\$ 2,052,039	\$ (134,628)	\$	\$ (1,939,765)	\$ 122,300	\$ 122,300

See independent auditor's report on additional information, page 1