

**TOWN OF HANOVER, MASSACHUSETTS**

**Annual Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**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, 2017, 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, 2017, 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 and the Pension and OPEB schedules appearing on pages 56 to 58 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 62 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates

directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018 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 27, 2018

## **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 for the fiscal year ended June 30, 2017.

### **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 comprise 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 finan-

cial 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 fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for 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 and deferred outflows exceeded liabilities and deferred inflows by \$40,392,754 (i.e., net position), a change of \$2,949,056 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,959,264, a change of \$175,660 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,139,688, a change of \$748,216 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 44,110	\$ 31,376	\$ 2,403	\$ 2,076	\$ 46,513	\$ 33,452
Capital assets	99,027	98,288	9,407	9,778	108,434	108,066
Total assets	<u>143,137</u>	<u>129,664</u>	<u>11,810</u>	<u>11,854</u>	<u>154,947</u>	<u>141,518</u>
Deferred outflows	3,623	3,192	191	168	3,814	3,360
Current liabilities	21,483	8,277	536	598	22,019	8,875
Noncurrent liabilities	<u>90,068</u>	<u>92,786</u>	<u>4,767</u>	<u>5,001</u>	<u>94,835</u>	<u>97,787</u>
Total liabilities	111,551	101,063	5,303	5,599	116,854	106,662
Deferred inflows	1,274	552	241	221	1,515	773
Net position:						
Net investment in capital assets	58,019	54,949	6,888	6,890	64,907	61,839
Restricted	12,445	10,582	-	-	12,445	10,582
Unrestricted	<u>(36,529)</u>	<u>(34,290)</u>	<u>(431)</u>	<u>(688)</u>	<u>(36,960)</u>	<u>(34,978)</u>
Total net position	<u>\$ 33,935</u>	<u>\$ 31,241</u>	<u>\$ 6,457</u>	<u>\$ 6,202</u>	<u>\$ 40,392</u>	<u>\$ 37,443</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 \$40,392,754, a change of \$2,949,056 from the prior year.

The largest portion of net position, \$64,908,256, 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 \$12,444,643 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 \$(36,960,145) caused primarily by the net pension liability (see Note 17) and accrued but unfunded other post-employment benefits (see Note 19).

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,279	\$ 5,041	\$ 3,818	\$ 3,690	\$ 9,097	\$ 8,731
Operating grants and contributions	16,228	13,945	-	-	16,228	13,945
Capital grants and contributions	1,567	1,307	-	-	1,567	1,307
General revenues:						
Property taxes	43,224	42,327	-	-	43,224	42,327
Excises	2,909	2,723	-	-	2,909	2,723
Penalties and interest on taxes	623	525	-	-	623	525
Grants and contributions not restricted to specific programs	2,356	2,182	-	-	2,356	2,182
Investment income	250	183	-	-	250	183
Other	979	335	-	-	979	335
Total revenues	<u>73,415</u>	<u>68,568</u>	<u>3,818</u>	<u>3,690</u>	<u>77,233</u>	<u>72,258</u>

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	3,332	3,979	-	-	3,332	3,979
Public safety	9,928	8,917	-	-	9,928	8,917
Education	48,827	46,277	-	-	48,827	46,277
Public works	3,877	4,043	-	-	3,877	4,043
Human services	858	778	-	-	858	778
Culture and recreation	1,468	1,367	-	-	1,468	1,367
Interest on long-term debt	1,331	1,876	-	-	1,331	1,876
Intergovernmental	570	584	-	-	570	584
Miscellaneous	375	211	-	-	375	211
Water	-	-	3,718	3,970	3,718	3,970
Total expenses	<u>70,566</u>	<u>68,032</u>	<u>3,718</u>	<u>3,970</u>	<u>74,284</u>	<u>72,002</u>
Change in net position before transfers	2,849	536	100	(280)	2,949	256
Transfers in (out)	<u>(155)</u>	<u>(70)</u>	<u>155</u>	<u>67</u>	<u>-</u>	<u>(3)</u>
Change in net position	2,694	466	255	(213)	2,949	253
Net position - beginning 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>
Net position - end of year	<u>\$ 33,935</u>	<u>\$ 31,241</u>	<u>\$ 6,457</u>	<u>\$ 6,202</u>	<u>\$ 40,392</u>	<u>\$ 37,443</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$2,693,775. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,589,253
School capital project fund - accrual basis	(55,054)
Nonmajor funds - accrual basis	2,017,889
Principal debt service in excess of depreciation expense	497,449
MSBA receipts	710,577
Increase in OPEB liability	(839,387)
Increase in pension liability and related deferred inflows and outflows	(811,131)
Other	<u>(415,821)</u>
Total	<u>\$ 2,693,775</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$255,281 from water operations.

**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 \$21,959,264, a change of \$175,660 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 1,589,253
School capital project operations	(1,119,834)
Nonmajor funds revenues over expenditures	<u>(293,759)</u>
Total	<u>\$ 175,660</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 \$6,139,688, while total fund balance was \$12,779,444. 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>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,139,688	\$ 5,391,472	\$ 748,216	10%
Total fund balance	\$ 12,779,444	\$ 11,190,191	\$ 1,589,253	20%

The total fund balance of the general fund changed by \$1,589,253 during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 1,318,228
Appropriation turnbacks by departments	836,556
Excess property tax collections	136,251
Current year encumbrances to be spent in the subsequent year over prior year encumbrances to be spent in the current year	316,276
Use of free cash as a funding source	(1,519,762)
Use of overlay surplus as a funding source	(70,200)
Other uses	111,526
Change in stabilization	550,915
Other	<u>(90,537)</u>
Total	<u>\$ 1,589,253</u>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ 2,100,591	\$ 2,107,597	\$ (7,006)
OPEB stabilization	1,784,360	1,298,302	486,058
Capital stabilization	507,990	503,085	4,905
Wind turbine stabilization	<u>66,958</u>	<u>-</u>	<u>66,958</u>
Total	<u>\$ 4,459,899</u>	<u>\$ 3,908,984</u>	<u>\$ 550,915</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 \$(431,049), a change of \$256,298 in comparison to the prior year.

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

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$444,150. Major reasons for these amendments include:

- \$140,635 for school appropriations.
- \$150,000 for snow and ice appropriations.
- \$153,515 transfer to wind turbine stabilization.

These supplemental appropriations were funded by use of free cash.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$108,433,650 (net of accumulated depreciation). 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:

- \$1,775,357 increase in construction in progress relating to the Center School renovations.

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 \$41,581,336, 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, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 24,808,162	\$ 1,117,103	\$ 25,925,265
Investments	13,005,284	-	13,005,284
Receivables, net of allowance for uncollectibles:			
Property taxes	476,324	-	476,324
Excises	327,906	-	327,906
User fees	-	1,286,815	1,286,815
Departmental and other	292,932	-	292,932
Intergovernmental	917,785	-	917,785
Other assets	185,978	-	185,978
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	543,896	-	543,896
Intergovernmental	3,552,120	-	3,552,120
Capital Assets:			
Land and construction in progress	12,949,444	827,766	13,777,210
Other assets, net of accumulated depreciation	86,077,508	8,578,932	94,656,440
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	<u>3,623,150</u>	<u>190,693</u>	<u>3,813,843</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>146,760,489</b>	<b>12,001,309</b>	<b>158,761,798</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	795,042	41,864	836,906
Accrued liabilities	719,730	32,900	752,630
Tax refunds payable	57,513	-	57,513
Notes payable	14,391,185	140,000	14,531,185
Other current liabilities	1,302,682	-	1,302,682
Current portion of long-term liabilities:			
Bonds payable	4,067,217	315,000	4,382,217
Other	148,571	5,602	154,173
Noncurrent:			
Bonds payable, net of current portion	37,233,744	2,051,300	39,285,044
Net pension liability	27,592,510	1,452,238	29,044,748
Net OPEB obligation	22,420,393	1,157,575	23,577,968
Other, net of current portion	2,822,852	106,436	2,929,288
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	884,949	46,576	931,525
Other	<u>388,892</u>	<u>194,273</u>	<u>583,165</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>112,825,280</b>	<b>5,543,764</b>	<b>118,369,044</b>
<b>NET POSITION</b>			
Net investment in capital assets	58,019,662	6,888,594	64,908,256
Restricted for:			
Grants and other statutory restrictions	12,186,915	-	12,186,915
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	91,268	-	91,268
Unrestricted	<u>(36,529,096)</u>	<u>(431,049)</u>	<u>(36,960,145)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>33,935,209</u></b>	<b>\$ <u>6,457,545</u></b>	<b>\$ <u>40,392,754</u></b>

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

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 3,332,062	\$ 406,693	\$ 674,244	\$ -	\$ (2,251,125)	\$ -	\$ (2,251,125)
Public safety	9,927,781	1,548,100	184,255	-	(8,195,426)	-	(8,195,426)
Education	48,826,873	2,754,968	15,135,074	689,843	(30,246,988)	-	(30,246,988)
Public works	3,877,009	219,412	1,480	877,496	(2,778,621)	-	(2,778,621)
Health and human services	858,199	105,331	120,257	-	(632,611)	-	(632,611)
Culture and recreation	1,467,608	244,494	112,961	-	(1,110,153)	-	(1,110,153)
Interest	1,331,265	-	-	-	(1,331,265)	-	(1,331,265)
Intergovernmental	570,343	-	-	-	(570,343)	-	(570,343)
Miscellaneous	375,293	-	-	-	(375,293)	-	(375,293)
Total Governmental Activities	70,566,433	5,278,998	16,228,271	1,567,339	(47,491,825)	-	(47,491,825)
<b>Business-Type Activities:</b>							
Water services	3,718,291	3,818,965	-	-	-	100,674	100,674
Total Business-Type Activities	3,718,291	3,818,965	-	-	-	100,674	100,674
Total	\$ 74,284,724	\$ 9,097,963	\$ 16,228,271	\$ 1,567,339	(47,491,825)	100,674	(47,391,151)
<b>General Revenues and Transfers:</b>							
Property taxes					43,224,417	-	43,224,417
Excises					2,908,640	-	2,908,640
Penalties, interest and other taxes					622,566	-	622,566
Grants and contributions not restricted to specific programs					2,356,408	-	2,356,408
Investment income					249,613	-	249,613
Miscellaneous					978,563	-	978,563
Transfers, net					(154,607)	154,607	-
Total general revenues and transfers					50,185,600	154,607	50,340,207
Change in Net Position					2,693,775	255,281	2,949,056
<b>Net Position:</b>							
Beginning of year					31,241,434	6,202,264	37,443,698
End of year					\$ 33,935,209	\$ 6,457,545	\$ 40,392,754

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



TOWN OF HANOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,469,791	\$ 12,033,419	\$ 10,304,952	\$ 24,808,162
Investments	12,275,974	-	729,310	13,005,284
Receivables:				
Property taxes	1,197,200	-	-	1,197,200
Excises	399,863	-	839	400,702
Departmental and other	-	-	1,365,755	1,365,755
Due from other funds	30,000	-	-	30,000
Due from other governments	21,742	-	896,043	917,785
Other assets	-	-	185,978	185,978
<b>TOTAL ASSETS</b>	<b>\$ 16,394,570</b>	<b>\$ 12,033,419</b>	<b>\$ 13,482,877</b>	<b>\$ 41,910,866</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 404,993	\$ -	\$ 390,049	\$ 795,042
Accrued liabilities	379,041	-	52,673	431,714
Due to other funds	-	-	30,000	30,000
Tax refunds payable	57,513	-	-	57,513
Notes payable	-	12,255,085	2,136,100	14,391,185
Other liabilities	1,163,472	-	-	1,163,472
<b>TOTAL LIABILITIES</b>	<b>2,005,019</b>	<b>12,255,085</b>	<b>2,608,822</b>	<b>16,868,926</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	1,610,107	-	1,472,569	3,082,676
<b>FUND BALANCES</b>				
Nonspendable	-	-	166,460	166,460
Restricted	1,358,971	1,302,435	8,247,829	10,909,235
Committed	3,222,469	-	3,094,378	6,316,847
Assigned	2,058,316	-	-	2,058,316
Unassigned	6,139,688	(1,524,101)	(2,107,181)	2,508,406
<b>TOTAL FUND BALANCES</b>	<b>12,779,444</b>	<b>(221,666)</b>	<b>9,401,486</b>	<b>21,959,264</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,394,570</b>	<b>\$ 12,033,419</b>	<b>\$ 13,482,877</b>	<b>\$ 41,910,866</b>

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, 2017

<b>Total governmental fund balances</b>	\$ 21,959,264
•	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	99,026,952
• Long-term receivables not reported in governmental funds.	3,552,120
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,620,867
• Long-term liabilities, including bonds payable, net pension liability, net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(91,935,978)
• Other	<u>(288,016)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 33,935,209</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, 2017

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 42,312,291	\$ -	\$ 984,616	\$ 43,296,907
Excises	2,774,589	-	43,859	2,818,448
Penalties, interest, and other taxes	622,506	-	60	622,566
Charges for services	395,374	-	4,137,600	4,532,974
Licenses and permits	667,197	-	-	667,197
Fines and forfeitures	114,448	-	-	114,448
Intergovernmental	16,809,518	710,577	3,284,350	20,804,445
Investment income	187,603	-	62,009	249,612
Miscellaneous	264,888	-	948,823	1,213,711
	<u>64,148,414</u>	<u>710,577</u>	<u>9,461,317</u>	<u>74,320,308</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
Current:				
General government	2,451,503	-	1,066,701	3,518,204
Public safety	7,613,482	-	135,022	7,748,504
Education	36,275,984	1,830,411	4,841,383	42,947,778
Public works	2,735,064	-	1,378,333	4,113,397
Health and human services	539,534	-	139,727	679,261
Culture and recreation	732,924	-	300,216	1,033,140
Employee benefits	7,313,201	-	-	7,313,201
Miscellaneous	-	-	375,293	375,293
Debt service	5,255,483	-	435,437	5,690,920
Intergovernmental	570,343	-	-	570,343
	<u>63,487,518</u>	<u>1,830,411</u>	<u>8,672,112</u>	<u>73,990,041</u>
<b>Total Expenditures</b>				
Excess (deficiency) of revenues over expenditures	660,896	(1,119,834)	789,205	330,267
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,192,964	-	220,091	1,413,055
Transfers out	<u>(264,607)</u>	<u>-</u>	<u>(1,303,055)</u>	<u>(1,567,662)</u>
	<u>928,357</u>	<u>-</u>	<u>(1,082,964)</u>	<u>(154,607)</u>
<b>Total Other Financing Sources (Uses)</b>				
Change in fund balance	1,589,253	(1,119,834)	(293,759)	175,660
Fund Balance, at Beginning of Year, as restated	<u>11,190,191</u>	<u>898,168</u>	<u>9,695,245</u>	<u>21,783,604</u>
Fund Balance, at End of Year	<u>\$ 12,779,444</u>	<u>\$ (221,666)</u>	<u>\$ 9,401,486</u>	<u>\$ 21,959,264</u>

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

TOWN OF HANOVER, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2017

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 175,660</b>																				
<ul style="list-style-type: none"> <li>• 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</td> <td style="text-align: right;">4,316,520</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,578,119)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds) 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;">4,075,568</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">228,275</td> </tr> <tr> <td>Amortization of refunding premium</td> <td style="text-align: right;">32,408</td> </tr> <tr> <td>Change in net pension liability</td> <td style="text-align: right;">(488,589)</td> </tr> <tr> <td>Change in net OPEB liability</td> <td style="text-align: right;">(839,387)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(323,067)</td> </tr> </table> </li> <li>• 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;">3,822</td> </tr> </table> </li> <li>• 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;"><u>(909,316)</u></td> </tr> </table> </li> </ul>		Capital outlay	4,316,520	Depreciation	(3,578,119)	Repayments of debt	4,075,568	Amortization of bond premium	228,275	Amortization of refunding premium	32,408	Change in net pension liability	(488,589)	Change in net OPEB liability	(839,387)	Other	(323,067)		3,822		<u>(909,316)</u>
Capital outlay	4,316,520																				
Depreciation	(3,578,119)																				
Repayments of debt	4,075,568																				
Amortization of bond premium	228,275																				
Amortization of refunding premium	32,408																				
Change in net pension liability	(488,589)																				
Change in net OPEB liability	(839,387)																				
Other	(323,067)																				
	3,822																				
	<u>(909,316)</u>																				
<b>Change in net assets of governmental activities</b>	<b>\$ <u>2,693,775</u></b>																				

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, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 42,176,040	\$ 42,176,040	\$ 42,176,040	\$ -
Excises	2,350,835	2,350,835	2,774,589	423,754
Penalties, interest, and other taxes	90,000	90,000	235,070	145,070
Charges for services	289,743	289,743	395,374	105,631
Licenses and permits	415,485	415,485	667,197	251,712
Fines and forfeitures	90,775	90,775	114,448	23,673
Intergovernmental	9,943,121	9,943,121	10,040,539	97,418
Investment income	50,000	50,000	91,082	41,082
Miscellaneous	35,000	35,000	264,888	229,888
Other financing sources:				
Transfers in	1,388,844	1,388,844	1,388,844	-
Use of overlay surplus	70,200	70,200	70,200	-
Use of free cash	1,075,612	1,519,762	1,519,762	-
	<u>57,975,655</u>	<u>58,419,805</u>	<u>59,738,033</u>	<u>1,318,228</u>
<b>Expenditures and other uses:</b>				
Current:				
General government				
Personal services	251,892	259,748	259,669	79
General expense	218,900	253,900	246,306	7,594
Articles	186	186	186	-
Finance department				
Personal services	769,131	739,131	718,561	20,570
General expense	204,207	234,207	215,196	19,011
Articles	102,200	102,200	102,200	-
Police				
Personal services	3,389,731	3,354,731	3,316,475	38,256
General expense	245,107	259,107	247,119	11,988
Articles	133,612	133,612	133,612	-
Fire				
Personal services	2,607,595	2,619,362	2,619,361	1
General expense	269,084	269,084	251,282	17,802
Articles	70,000	70,000	70,000	-
Community Resources				
Personal services	1,439,804	1,439,804	1,416,210	23,594
General expense	468,257	468,257	434,236	34,021
Hanover Public Schools	25,765,115	25,905,750	25,905,211	539
Articles	553,500	553,500	553,500	-
Other education - South Shore Vocational	725,406	725,406	725,406	-
Public works				
Personal services	1,229,619	1,229,619	1,174,324	55,295
General expense	1,355,092	1,295,096	1,219,994	75,102
Articles	180,000	180,000	180,000	-
Facilities				
Personal services	1,940,360	1,920,731	1,856,332	64,399
General expense	1,738,932	1,738,932	1,719,903	19,029
Articles	234	234	234	-
Snow & Ice	387,000	597,002	597,001	1
Town wide expenses	7,362,693	7,362,693	7,352,017	10,676
Articles	110,000	110,000	110,000	-
Transfers	236,216	375,731	153,515	222,216
Debt	5,474,530	5,474,530	5,323,530	151,000
State assessments	583,019	583,019	517,636	65,383
County assessments	52,707	52,707	52,707	-
Snow & ice deficit	111,526	111,526	111,526	-
	<u>57,975,655</u>	<u>58,419,805</u>	<u>57,583,249</u>	<u>836,556</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,154,784</u>	<u>\$ 2,154,784</u>

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

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities Enterprise Funds
	Water Fund
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 1,117,103
User fees, net of allowance for uncollectibles	<u>1,286,815</u>
Total current assets	2,403,918
Noncurrent:	
Capital Assets:	
Land and construction in progress	827,766
Other assets, net of accumulated depreciation	<u>8,578,932</u>
Total noncurrent assets	9,406,698
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>190,693</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,001,309</b>
<b>LIABILITIES</b>	
Current:	
Warrants payable	41,864
Accrued liabilities	32,900
Notes payable	140,000
Current portion of long-term liabilities:	
Bonds payable	315,000
Other	<u>5,602</u>
Total current liabilities	535,366
Noncurrent:	
Bonds payable, net of current portion	2,051,300
Net pension liability	1,452,238
Net OPEB obligation	1,157,575
Other, net of current portion	<u>106,436</u>
Total noncurrent liabilities	4,767,549
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	46,576
Other	<u>194,273</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>5,543,764</b>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	6,888,594
Unrestricted	<u>(431,049)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>6,457,545</u></b>

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, 2017

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 3,764,266
Other	<u>54,623</u>
Total Operating Revenues	3,818,889
<b>Operating Expenses:</b>	
Public works	186,805
Salaries and benefits	1,485,152
Other operating expenses	1,535,879
Depreciation	<u>431,056</u>
Total Operating Expenses	<u>3,638,892</u>
Operating Income (Loss)	179,997
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	76
Interest expense	<u>(79,399)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(79,323)</u>
Income (Loss) Before Transfers	100,674
<b>Transfers:</b>	
Transfers in	<u>154,607</u>
Change in Net Position	255,281
Net Position at Beginning of Year	<u>6,202,264</u>
Net Position at End of Year	<u><u>\$ 6,457,545</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, 2017

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 3,918,295
Payments to vendors and employees	<u>(3,176,914)</u>
Net Cash Provided By Operating Activities	741,381
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers in	<u>154,607</u>
Net Cash Provided By Noncapital Financing Activities	154,607
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Proceeds from issuance of bonds and notes	140,000
Acquisition and construction of capital assets	(60,286)
Principal payments on bonds	(470,000)
Interest expense	<u>(79,399)</u>
Net Cash (Used For) Capital and Related Financing Activities	(469,685)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>76</u>
Net Cash Provided By Investing Activities	<u>76</u>
Net Change in Cash and Short-Term Investments	426,379
Cash and Short-Term Investments, Beginning of Year	<u>690,724</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,117,103</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income	\$ 179,997
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	431,056
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	99,406
Deferred outflows - related to pensions	(22,701)
Warrants and accounts payable	(73,191)
Accrued expenses	25,533
Compensated absences	11,139
Accrued other post-employment	44,178
Net pension liability	25,715
Deferred inflows - related to pensions	39,676
Deferred inflows - other	<u>(19,427)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 741,381</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, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 126,521	\$ 851,494
Accounts receivable	-	<u>61,238</u>
Total Assets	126,521	912,732
 <b>LIABILITIES AND NET POSITION</b>		
Accounts payable	-	8,203
Accrued liabilities	-	21,417
Escrow deposits	-	<u>883,112</u>
Total Liabilities	<u>-</u>	<u>912,732</u>
 <b>NET POSITION</b>		
Total net position held in trust	<u>\$ 126,521</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, 2017

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 10,000
Interest income	<u>(58)</u>
Total additions	9,942
 <b>Deductions:</b>	
Other	<u>17,300</u>
Total deductions	<u>17,300</u>
Net increase (decrease)	(7,358)
 <b>Net position:</b>	
Beginning of year	<u>133,879</u>
End of year	<u><u>\$ 126,521</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 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

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

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 Capital Project Fund reports activities related to the High School construction and Sylvester School renovation projects.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under

this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- 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 fair 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 2017 tax levy reflected an excess capacity of \$1,738.

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets 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 acquisition 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/deferred outflows and current liabilities/deferred inflows. 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.

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 fund 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)	\$ 64,148,414	\$ 63,487,518
Other financing sources/uses (GAAP basis)	<u>1,192,964</u>	<u>264,607</u>
Subtotal (GAAP Basis)	65,341,378	63,752,125
Adjust tax revenue to accrual basis	(136,251)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(657,501)
Add end-of-year appropriation carryforwards from expenditures	-	973,777
To record use of overlay surplus	70,200	-
To record use of free cash	1,519,762	-
To record other uses	-	111,526
To remove unbudgeted stabilization fund	(483,957)	66,958
To reverse the effect of non-budgeted State contributions for teachers retirement	(6,768,979)	(6,768,979)
Other timing issues and reclassifications	<u>195,880</u>	<u>105,343</u>
Budgetary basis	<u>\$ 59,738,033</u>	<u>\$ 57,583,249</u>

*D. Deficit Fund Equity*

Certain individual funds reflected deficit balances as of June 30, 2017.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent

of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2017, \$1,166,089 of the Town’s bank balance of \$27,687,307 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>Not Rated</u>
			<u>AAA</u>	<u>Aa2-A3</u>	<u>Baa3-B2</u>	<u>Caa2-C</u>	
Debt related securities:							
U.S treasury notes	\$ 358	\$ -	\$ 358	\$ -	\$ -	\$ -	\$ -
Federal agency securities	953	-	953	-	-	-	-
Corporate bonds	427	-	-	100	327	-	-
Fixed income mutual funds	902	-	401	138	300	26	37
Total debt securities	2,640	-	1,712	238	627	26	37
Equity securities:							
Equity mutual funds	1,624	1,624	-	-	-	-	-
Total equities	1,624	1,624	-	-	-	-	-
Certificates of deposits	8,741	8,741	-	-	-	-	-
Total investments	\$ 13,005	\$ 10,365	\$ 1,712	\$ 238	\$ 627	\$ 26	\$ 37

##### 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>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less</u>		
		<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. treasury notes	\$ 358	\$ -	\$ 358	\$ -
Federal agency securities	953	-	953	-
Corporate bonds	427	192	235	-
Fixed income mutual funds	902	-	466	436
Total	\$ <u>2,640</u>	\$ <u>192</u>	\$ <u>2,012</u>	\$ <u>436</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 (in thousands) as of June 30, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 358	\$ -	\$ 358	\$ -
Federal agency securities	953	-	953	-
Corporate bonds	427	-	427	-
Bond mutual funds	902	-	902	-
Equity securities:				
Mutual funds	<u>1,624</u>	<u>1,624</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,264</u>	<u>\$ 1,624</u>	<u>\$ 2,640</u>	<u>\$ -</u>

## **5. Taxes and Excises Receivables**

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.

The day after the final tax bill is due, 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.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Taxes and excise receivables at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 495,218	\$ (116,547)	\$ 378,671
Tax liens	604,329	(60,433)	543,896
Deferred Property	97,653	-	97,653
Total property taxes	1,197,200	(176,980)	1,020,220
Motor vehicle and boat excises	400,702	(72,796)	327,906
Total excises	400,702	(72,796)	327,906
Grand total	\$ 1,597,902	\$ (249,776)	\$ 1,348,126

## 6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water charges and liens	\$ 1,367,354	\$ (80,539)	\$ 1,286,815
Total	\$ 1,367,354	\$ (80,539)	\$ 1,286,815

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017.

## 8. Interfund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
Major Funds:		
General fund	\$ 1,192,964	\$ (264,607)
Nonmajor Funds:		
Special revenue funds	-	(1,140,196)
Capital projects	-	(162,859)
Trust funds	220,091	-
Subtotal - Governmental	1,413,055	(1,567,662)
Business-type Funds:		
Water fund	154,607	-
Total	\$ 1,567,662	\$ (1,567,662)

Of the transfer into the general fund, \$915,295 was transferred from the Ambulance fund for operating expenditures. Of the transfer out of the general fund, \$153,515 was transferred to the Wind stabilization fund to initiate the fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,610	\$ 10	\$ -	\$ 100,620
Machinery, equipment, and furnishings	3,790	44	-	3,834
Vehicles	8,441	568	-	9,009
Infrastructure	<u>30,356</u>	<u>957</u>	<u>-</u>	<u>31,313</u>
Total capital assets, being depreciated	143,197	1,579	-	144,776
Less accumulated depreciation for:				
Buildings and improvements	(29,241)	(2,268)	-	(31,509)
Machinery, equipment, and furnishings	(2,315)	(158)	-	(2,473)
Vehicles	(6,594)	(585)	-	(7,179)
Infrastructure	<u>(16,971)</u>	<u>(567)</u>	<u>-</u>	<u>(17,538)</u>
Total accumulated depreciation	<u>(55,121)</u>	<u>(3,578)</u>	<u>-</u>	<u>(58,699)</u>
Total capital assets, being depreciated, net	88,076	(1,999)	-	86,077
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>181</u>	<u>2,738</u>	<u>-</u>	<u>2,919</u>
Total capital assets, not being depreciated	<u>10,212</u>	<u>2,738</u>	<u>-</u>	<u>12,950</u>
Governmental activities capital assets, net	<u>\$ 98,288</u>	<u>\$ 739</u>	<u>\$ -</u>	<u>\$ 99,027</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,415	\$ 60	\$ -	\$ 6,475
Vehicles	292	-	-	292
Infrastructure	12,463	-	-	12,463
	<u>19,170</u>	<u>60</u>	<u>-</u>	<u>19,230</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(2,249)	(137)	-	(2,386)
Vehicles	(72)	(59)	-	(131)
Infrastructure	(7,899)	(235)	-	(8,134)
	<u>(10,220)</u>	<u>(431)</u>	<u>-</u>	<u>(10,651)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	8,950	(371)	-	8,579
Capital assets, not being depreciated:				
Land	828	-	-	828
	<u>828</u>	<u>-</u>	<u>-</u>	<u>828</u>
Total capital assets, not being depreciated				
Business-type activities capital assets, net	<u>\$ 9,778</u>	<u>\$ (371)</u>	<u>\$ -</u>	<u>\$ 9,407</u>

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

<b>Governmental Activities:</b>	
General government	\$ 28
Public safety	574
Education	1,757
Public works	823
Health and human services	101
Culture and recreation	296
	<u>3,579</u>
Total depreciation expense - governmental activities	<u>\$ 3,579</u>
<b>Business-Type Activities:</b>	
Water	\$ 431
Total depreciation expense - business-type activities	<u>\$ 431</u>

## 10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68,

Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

**11. Warrants and Accounts Payable**

Warrants payable represent 2017 expenditures paid by July 15, 2017. 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, 2017:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/17</u>
Bond anticipation	0.00%	01/15/12	01/05/18	\$ 6,000
Bond anticipation	2.00%	06/23/17	06/23/18	<u>14,525,185</u>
Total				<u>\$ 14,531,185</u>

The following summarizes activity in notes payable during fiscal year 2017:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental	\$ 1,394,159	\$ 13,217,000	\$ (219,974)	\$ 14,391,185
Enterprise	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total	<u>\$ 1,394,159</u>	<u>\$ 13,357,000</u>	<u>\$ (219,974)</u>	<u>\$ 14,531,185</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 6/30/17
<u>Governmental Activities:</u>			
Stormwater management	08/01/22	3.00%	\$ 65,000
General purpose refunding	05/15/18	2.00%	20,000
General purpose	05/15/27	3.25-4.00%	145,000
General purpose	05/15/29	3.00%	1,900,000
School reconstruction refunding	05/15/21	4.50%	4,125,000
Library reconstruction refunding	05/15/21	4.50%	375,000
Septic betterment	08/01/18	0.00%	21,736
Landfill closure refunding	05/15/18	2.00%	75,000
General obligation loan	06/30/32	2.87%	10,140,000
General obligation loan	09/01/34	3.96%	9,520,000
MWPAT T5-97-1140-A	01/15/35	0.00%	264,600
General obligation refunding	05/15/29	2.00-4.00%	<u>12,563,700</u>
Total Governmental Activities:			<u>\$ 39,215,036</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/17
<u>Business-Type Activities:</u>			
Plant and mains	05/15/27	3.25-4.00%	\$ 10,000
Alternative Energy	06/30/32	2.87%	525,000
General obligation refunding	5/15/029	2.00-4.00%	<u>1,831,300</u>
Total Business-Type Activities:			<u>\$ 2,366,300</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,694,700	848,082	3,542,782
2023 - 2027	13,213,500	2,546,632	15,760,132
2028 - 2032	7,033,500	625,500	7,659,000
2033 - 2036	<u>974,100</u>	<u>43,400</u>	<u>1,017,500</u>
Total	<u>\$ 39,215,036</u>	<u>\$ 10,016,703</u>	<u>\$ 49,231,739</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	295,000	44,050	339,050
2023 - 2027	720,000	74,650	794,650
2028 - 2031	<u>105,000</u>	<u>7,800</u>	<u>112,800</u>
Total	<u>\$ 2,366,300</u>	<u>\$ 433,726</u>	<u>\$ 2,800,026</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 43,290	\$ -	\$ (4,075)	\$ 39,215	\$ (3,851)	\$ 35,364
Unamortized premium	<u>2,314</u>	<u>-</u>	<u>(228)</u>	<u>2,086</u>	<u>(217)</u>	<u>1,869</u>
Subtotal	45,604	-	(4,303)	41,301	(4,068)	37,233
Net pension liability	27,104	489	-	27,593	-	27,593
Net OPEB liability	21,581	2,040	(1,201)	22,420	-	22,420
Other:						
Compensated absences	<u>2,947</u>	<u>171</u>	<u>(147)</u>	<u>2,971</u>	<u>(149)</u>	<u>2,822</u>
Subtotal - other	<u>2,947</u>	<u>171</u>	<u>(147)</u>	<u>2,971</u>	<u>(149)</u>	<u>2,822</u>
Totals	<u>\$ 97,236</u>	<u>\$ 2,700</u>	<u>\$ (5,651)</u>	<u>\$ 94,285</u>	<u>\$ (4,217)</u>	<u>\$ 90,068</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 2,836	\$ -	\$ (470)	\$ 2,366	\$ (315)	\$ 2,051
Subtotal	2,836	-	(470)	2,366	(315)	2,051
Net pension liability	1,426	26	-	1,452	-	1,452
Net OPEB liability	1,113	108	(63)	1,158	-	1,158
Other:						
Compensated absences	<u>101</u>	<u>16</u>	<u>(5)</u>	<u>112</u>	<u>(6)</u>	<u>106</u>
Subtotal - other	<u>101</u>	<u>16</u>	<u>(5)</u>	<u>112</u>	<u>(6)</u>	<u>106</u>
Totals	<u>\$ 5,476</u>	<u>\$ 150</u>	<u>\$ (538)</u>	<u>\$ 5,088</u>	<u>\$ (321)</u>	<u>\$ 4,767</u>

**14. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position 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 Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17.

*Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## **15. Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2017:

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, 2017:

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	166,460	166,460
<b>Restricted</b>				
Bonded projects	-	1,302,435	480,468	1,782,903
Debt service	1,358,971	-	-	1,358,971
Special revenue funds	-	-	7,676,093	7,676,093
Expendable permanent funds	-	-	91,268	91,268
Total Restricted	1,358,971	1,302,435	8,247,829	10,909,235
<b>Committed</b>				
Continued appropriations				
General government	16,396	-	-	16,396
Finance department	84,820	-	-	84,820
Police	15,535	-	-	15,535
Fire	50,793	-	-	50,793
Community resources	23,890	-	-	23,890
Hanover Public Schools	91,902	-	-	91,902
Facilities	331,479	-	-	331,479
Public works	248,346	-	-	248,346
OPEB stabilization	1,784,360	-	-	1,784,360
Capital stabilization	507,990	-	-	507,990
Wind turbine stabilization	66,958	-	-	66,958
Community preservation	-	-	3,094,378	3,094,378
Total Committed	3,222,469	-	3,094,378	6,316,847
<b>Assigned</b>				
Encumbrances				
General government	785	-	-	785
Finance department	481	-	-	481
Police	1,073	-	-	1,073
Fire	8,754	-	-	8,754
Community resources	389	-	-	389
Hanover Public Schools	36,484	-	-	36,484
Facilities	23,959	-	-	23,959
Public works	35,801	-	-	35,801
Town wide	2,890	-	-	2,890
Reserved for expenditures	1,647,700	-	-	1,647,700
Reserved for overlay surplus	300,000	-	-	300,000
Total Assigned	2,058,316	-	-	2,058,316
<b>Unassigned</b>				
Special revenue funds	-	-	(56,125)	(56,125)
Capital projects	-	(1,524,101)	(2,051,056)	(3,575,157)
General stabilization	2,100,591	-	-	2,100,591
Unassigned	4,039,097	-	-	4,039,097
Total Unassigned	6,139,688	(1,524,101)	(2,107,181)	2,508,406
Total Fund Balances	\$ 12,779,444	\$ (221,666)	\$ 9,401,486	\$ 21,959,264

**16. General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The 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 short-falls, 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	\$ 6,139,688
Stabilization fund	(2,100,591)
Tax refund estimate	<u>57,513</u>
Statutory (UMAS) Balance	<u><u>\$ 4,096,610</u></u>

**17. 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 Retire-

ment 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 10 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.

If a participant was a member prior to February 2012, 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 voluntarily 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, 2017 was \$2,961,848, 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, 2017, the Town reported a liability of \$29,044,748 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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, 2016, the Town's proportion was 4.5848 percent.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,815,670. 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>
Differences between expected and actual experience	\$ 757,676	\$ -
Changes of assumptions	-	827,771
Net difference between projected and actual earnings on pension plan investments	2,803,901	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>252,266</u>	<u>103,754</u>
Total	<u>\$ 3,813,843</u>	<u>\$ 931,525</u>

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

Year ended June 30:	
2018	\$ 1,029,745
2019	1,029,745
2020	720,670
2021	<u>102,158</u>
Total	<u>\$ 2,882,318</u>



*D. Actuarial Assumptions*

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3% of the first \$14,000
Salary increases	3.75% per year, including longevity
Investment rate of return	8%

Mortality rates were based on the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five-year for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based in Scale MP-2016.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected nominal rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	26.50%	7.50%
Developed markets equity	16.00%	7.30%
Emerging markets equity	4.00%	9.80%
Core bonds	11.50%	4.20%
Foreign bonds	3.00%	2.40%
Emerging markets bonds	4.00%	5.50%
High yield bonds	4.00%	6.00%
Bank loans	3.00%	5.50%
Private equity	10.00%	9.60%
Reall estate	10.00%	6.90%
Natural resources	1.00%	7.00%
Infrastructure	2.00%	7.80%
Hedge fund of funds	4.00%	5.30%
Cash	1.00%	2.80%
	<u>100.00%</u>	

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%, 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>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
\$ 36,306,831	\$ 29,044,748	\$ 22,854,107

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.

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

A. Plan Description

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

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

*B. Benefits Provided*

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

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

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

*C. Contributions*

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

<u>Membership 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	1.6%
Private equity	10.0%	8.7%
Real estate	10.0%	4.6%
Value added fixed income	10.0%	4.8%
Hedge funds	9.0%	4.0%
Portfolio completion strategies	4.0%	3.6%
Timber/natural resources	4.0%	5.4%
Total	<u>100.0%</u>	

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

*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 2017 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability and pension expense was \$66,358,276 and \$6,768,979 respectively, based on a proportionate share of 0.2968%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expenditure in the general fund.

## 19. **Other Post-Employment Benefits – OPEB (GASB 45)**

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, 2017, the actuarial valuation date, approximately 337 retirees and 606 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 2017 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, 2017, 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, 2017.

Annual Required Contribution (ARC)	\$ 2,501,361
Interest on net OPEB obligation	1,021,248
Adjustment to ARC	(1,333,247)
Other adjustments	<u>(41,759)</u>
Annual OPEB cost	2,147,603
Contributions made	<u>(1,264,038)</u>
Increase in net OPEB obligation	883,565
Net OPEB obligation - beginning of year	<u>22,694,403</u>
Net OPEB obligation - end of year	<u>\$ 23,577,968</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>
2017	\$ 2,147,603	59%	\$ 23,577,968
2016	\$ 3,802,341	27%	\$ 22,694,403
2015	\$ 3,345,926	56%	\$ 19,935,443

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 35,307,132
Less actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 35,307,132</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.00%</u>
Covered payroll (active plan members)	<u>\$ 37,690,770</u>
UAAL as a percentage of covered payroll	<u>93.7%</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 substantive plan (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, 2017 actuarial valuation, the individual entry age normal method was used. The actuarial assumptions included a 4.50% investment rate of return and an initial annual healthcare cost trend rate of between 6.0% and 5.5%, and then decreases to 5% over the following years (depending on health insurance plan). The amortization costs increase at 3/25% per year over 30 years at transition. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

**20. 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.

**21. Beginning Fund Balance Restatement**

The beginning (July 1, 2016) fund balance of the Town has been restated as follows:

Fund Basis Financial Statements:

	Governmental Funds		
	Community Preservation Fund	Ambulance Fund	Nonmajor Fund
As previously reported	\$ 3,388,216	\$ 1,735,924	\$ 4,571,105
To reclass Community Preservation to nonmajor	(3,388,216)	-	3,388,216
To reclass Ambulance to nonmajor	-	(1,735,924)	1,735,924
As restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,695,245</u>



## **22. 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HANOVER, MASSACHUSETTS**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY (GASB 68)**

**JUNE 30, 2017**  
**(Unaudited)**

Plymouth County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	December 31, 2016	4.585%	\$29,044,748	\$ 14,492,915	200.41%	58.32%
June 30, 2016	December 31, 2015	4.498%	\$28,530,444	\$ 12,975,337	219.88%	56.80%
June 30, 2015	December 31, 2014	4.498%	\$26,221,911	\$ 12,506,349	209.67%	58.88%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.296800%	\$ -	\$ 66,358,276	\$ 66,358,276	\$ 19,522,480	-	52.73%
June 30, 2016	June 30, 2015	0.295829%	\$ -	\$ 60,614,371	\$ 60,614,371	\$ 18,752,269	-	55.38%
June 30, 2015	June 30, 2014	0.293323%	\$ -	\$ 46,627,648	\$ 46,627,648	\$ 17,985,082	-	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 (GASB 68)**

**JUNE 30, 2017  
(Unaudited)**

Plymouth County Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 2,961,848	\$ 2,961,848	\$ -	\$ 14,492,915	20.44%
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.

**TOWN OF HANOVER, MASSACHUSETTS  
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**June 30, 2017  
(Unaudited)  
(Amounts Expressed in thousands)**

<b>Other Post-Employment Benefits</b>						
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]
01/01/17	\$ -	\$ 35,307	\$ 35,307	0.00%	\$ 37,691	93.7%
01/01/16	\$ -	\$ 40,360	\$ 40,360	0.00%	N/A	N/A
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.

**SUPPLEMENTARY STATEMENTS  
AND SCHEDULES**

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- Town Federal Grants: To account for Town federal grant funds related to Federal grant programs.
- Town State Grants: To account for Town state grant funds related to State grant programs.
- Receipts Reserved: To account for certain receipts, which according to Massachusetts General Laws, must be appropriated to be spent for certain specific purposes.
- Town Revolving: To account for certain Town (non-school) receipts, which according to Massachusetts General Laws, can be spent without appropriation for expenditures related to the activity which generated the revenue.
- CPA Fund: To account for the Community Preservation Fund which reports all open space, historic resources, and community housing activities whose costs are principally funded through Community Preservation Act revenues.
- School Lunch: To account for operating activities associated with the School Department student lunch program.
- School Grants: To account for School grant funds related to Federal and State grant programs.
- School Revolving: To account for certain School receipts, which according to Massachusetts General Laws, can be spent without appropriation for expenditures related to the activity which generated the revenue.
- Other Special Revenues: To account for gifts and other receipts that are restricted for specific expenditures.

### CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment.

The current funds were established for the following purposes:

- Town Projects: To account for capital activities associated with various Town projects, including the purchase of a sweeper truck and other various projects.
- Highway Improvements: To account for capital activities related to the repair of various Town roads.

### **PERMANENT FUND**

Permanent Fund is established to account for certain assets held by the Town in a fiduciary capacity as trustee. Permanent Fund is used to report principal balances legally restricted to the extent that only earnings, not principal, may be used for the support of certain government programs.



TOWN OF HANOVER, MASSACHUSETTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds									Subtotals
	Town Federal Grants	Town State Grants	Receipts Reserved	Town Revolving	CPA Fund	School Lunch	School Grants	School Revolving	Other Special Revenues	
<b>ASSETS</b>										
Cash and short-term investments	\$ 5,480	\$ 148,892	\$ 2,802,236	\$ 979,676	\$ 3,430,721	\$ 5,263	\$ 325,701	\$ 329,563	\$ 2,314,676	\$ 10,342,208
Investments	-	-	-	-	-	-	-	-	729,310	729,310
Departmental and other receivables	-	-	1,278,009	-	8,585	-	-	-	80,000	1,366,594
Due from other governments	-	-	-	-	-	12,547	-	-	6,000	18,547
Other assets	-	-	-	-	-	-	-	-	185,978	185,978
<b>Total Assets</b>	<b>\$ 5,480</b>	<b>\$ 148,892</b>	<b>\$ 4,080,245</b>	<b>\$ 979,676</b>	<b>\$ 3,439,306</b>	<b>\$ 17,810</b>	<b>\$ 325,701</b>	<b>\$ 329,563</b>	<b>\$ 3,315,964</b>	<b>\$ 12,642,637</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
Liabilities:										
Warrants and accounts payable	\$ 2,402	\$ 4,403	\$ -	\$ 18,231	\$ 335,556	\$ 206	\$ 1,197	\$ 18,900	\$ 9,154	\$ 390,049
Accrued liabilities	-	459	-	13,810	789	3,795	-	10,820	-	29,673
Due to other funds	-	-	-	-	-	-	-	-	30,000	30,000
Notes payable	-	-	-	-	-	-	-	-	6,000	6,000
<b>Total Liabilities</b>	<b>2,402</b>	<b>4,862</b>	<b>-</b>	<b>32,041</b>	<b>336,345</b>	<b>4,001</b>	<b>1,197</b>	<b>29,720</b>	<b>45,154</b>	<b>455,722</b>
Deferred Inflows of Resources										
Deferred revenue	-	-	1,278,008	-	8,583	-	-	-	185,978	1,472,569
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>1,278,008</b>	<b>-</b>	<b>8,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,978</b>	<b>1,472,569</b>
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	4,096	198,417	2,802,237	947,635	-	13,809	324,504	300,563	3,084,832	7,676,093
Committed	-	-	-	-	3,094,378	-	-	-	-	3,094,378
Unassigned	(1,018)	(54,387)	-	-	-	-	-	(720)	-	(56,125)
<b>Total Fund Balances</b>	<b>3,078</b>	<b>144,030</b>	<b>2,802,237</b>	<b>947,635</b>	<b>3,094,378</b>	<b>13,809</b>	<b>324,504</b>	<b>299,843</b>	<b>3,084,832</b>	<b>10,714,346</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,480</b>	<b>\$ 148,892</b>	<b>\$ 4,080,245</b>	<b>\$ 979,676</b>	<b>\$ 3,439,306</b>	<b>\$ 17,810</b>	<b>\$ 325,701</b>	<b>\$ 329,563</b>	<b>\$ 3,315,964</b>	<b>\$ 12,642,637</b>

(continued)

TOWN OF HANOVER, MASSACHUSETTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

(continued)

	<u>Capital Project Funds</u>			Permanent	Total
	<u>Town</u>	<u>Highway</u>	<u>Subtotal</u>	<u>Trust</u>	<u>Nonmajor</u>
<u>ASSETS</u>	<u>Projects</u>	<u>Improvements</u>		<u>Fund</u>	<u>Governmental</u>
					<u>Funds</u>
Cash and short-term investments	\$ 559,512	\$ (877,496)	\$ (317,984)	\$ 280,728	\$ 10,304,952
Investments	-	-	-	-	729,310
Departmental and other receivables	-	-	-	-	1,366,594
Due from other governments	-	877,496	877,496	-	896,043
Other assets	-	-	-	-	185,978
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 559,512</u>	<u>\$ -</u>	<u>\$ 559,512</u>	<u>\$ 280,728</u>	<u>\$ 13,482,877</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Warrants and accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 390,049
Accrued liabilities	-	-	-	23,000	52,673
Due to other funds	-	-	-	-	30,000
Notes payable	<u>2,130,100</u>	<u>-</u>	<u>2,130,100</u>	<u>-</u>	<u>2,136,100</u>
Total Liabilities	2,130,100	-	2,130,100	23,000	2,608,822
Deferred Inflows of Resources					
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,472,569</u>
Total Deferred Inflows of Resources					
Fund Balances:					
Nonspendable	-	-	-	166,460	166,460
Restricted	480,468	-	480,468	91,268	8,247,829
Committed	-	-	-	-	3,094,378
Unassigned	<u>(2,051,056)</u>	<u>-</u>	<u>(2,051,056)</u>	<u>-</u>	<u>(2,107,181)</u>
Total Fund Balances	<u>(1,570,588)</u>	<u>-</u>	<u>(1,570,588)</u>	<u>257,728</u>	<u>9,401,486</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 559,512</u>	<u>\$ -</u>	<u>\$ 559,512</u>	<u>\$ 280,728</u>	<u>\$ 13,482,877</u>

TOWN OF HANOVER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

Special Revenue Funds

	Town Federal Grants	Town State Grants	Receipts Reserved	Town Revolving	CPA Fund	School Lunch	School Grants	School Revolving	Other Special Revenues	Subtotal
<b>Revenues:</b>										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 984,616	\$ -	\$ -	\$ -	\$ -	\$ 984,616
Excises	-	-	873	-	-	-	-	-	42,986	43,859
Penalties, interest, and other taxes	-	-	60	-	-	-	-	-	-	60
Charges for services	-	-	1,134,450	248,447	-	837,394	-	1,917,309	-	4,137,600
Intergovernmental	300,980	264,642	-	78,696	237,598	236,545	1,278,162	10,200	31	2,406,854
Investment income	-	-	-	-	-	-	-	-	61,853	61,853
Miscellaneous	-	-	520,353	194,952	-	-	-	45,608	187,910	948,823
<b>Total Revenues</b>	<b>300,980</b>	<b>264,642</b>	<b>1,655,736</b>	<b>522,095</b>	<b>1,222,214</b>	<b>1,073,939</b>	<b>1,278,162</b>	<b>1,973,117</b>	<b>292,780</b>	<b>8,583,665</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	-	55,821	-	2,137	970,524	-	-	-	38,219	1,066,701
Public safety	77,890	55,734	-	-	-	-	-	-	45,465	179,089
Education	-	95,124	-	213,437	-	1,109,226	1,206,378	2,212,995	-	4,837,160
Public works	-	-	-	-	-	-	-	-	-	-
Health and human services	900	30,392	-	93,937	-	-	-	-	14,498	139,727
Culture and recreation	-	49,311	-	175,288	-	-	-	-	75,617	300,216
Miscellaneous expense	-	-	-	-	-	-	-	-	374,892	374,892
Debt service:	-	-	-	-	435,437	-	-	-	-	435,437
<b>Total Expenditures</b>	<b>78,790</b>	<b>286,382</b>	<b>-</b>	<b>484,799</b>	<b>1,405,961</b>	<b>1,109,226</b>	<b>1,206,378</b>	<b>2,212,995</b>	<b>548,691</b>	<b>7,333,222</b>
Excess (deficiency) of revenues over (under) expenditures	222,190	(21,740)	1,655,736	37,296	(183,747)	(35,287)	71,784	(239,878)	(255,911)	1,250,443
<b>Other Financing Sources (Uses):</b>										
Transfers in	-	-	-	-	-	-	-	-	220,091	220,091
Transfers out	-	-	(990,295)	-	(110,091)	-	-	-	(39,810)	(1,140,196)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(990,295)</b>	<b>-</b>	<b>(110,091)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>180,281</b>	<b>(1,100,386)</b>
<b>Net change in fund balances</b>	<b>222,190</b>	<b>(21,740)</b>	<b>665,441</b>	<b>37,296</b>	<b>(293,838)</b>	<b>(35,287)</b>	<b>71,784</b>	<b>(239,878)</b>	<b>(75,630)</b>	<b>330,338</b>
<b>Fund Balances, beginning of year</b>	<b>(219,112)</b>	<b>165,770</b>	<b>2,136,796</b>	<b>910,339</b>	<b>3,388,216</b>	<b>49,096</b>	<b>252,720</b>	<b>539,721</b>	<b>3,160,462</b>	<b>10,384,008</b>
<b>Fund Balances, end of year</b>	<b>\$ 3,078</b>	<b>\$ 144,030</b>	<b>\$ 2,802,237</b>	<b>\$ 947,635</b>	<b>\$ 3,094,378</b>	<b>\$ 13,809</b>	<b>\$ 324,504</b>	<b>\$ 299,843</b>	<b>\$ 3,084,832</b>	<b>\$ 10,714,346</b>

(continued)

TOWN OF HANOVER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

(continued)

	<u>Capital Project Funds</u>			Permanent Trust Fund	Total Nonmajor Governmental Funds
	<u>Town Projects</u>	<u>Highway Improvements</u>	<u>Subtotal</u>		
Revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 4,137,600
Intergovernmental	-	877,496	877,496	-	3,284,350
Investment income	-	-	-	156	62,009
Miscellaneous	-	-	-	-	948,823
Total Revenues	-	877,496	877,496	156	8,432,782
Expenditures:					
Current:					
General government	-	-	-	-	1,066,701
Public safety	(44,067)	-	(44,067)	-	135,022
Education	4,223	-	4,223	-	4,841,383
Public works	500,837	877,496	1,378,333	-	1,378,333
Health and human services	-	-	-	-	139,727
Culture and recreation	-	-	-	-	300,216
Miscellaneous expense	-	-	-	401	375,293
Debt service:	-	-	-	-	435,437
Total Expenditures	460,993	877,496	1,338,489	401	8,672,112
Excess (deficiency) of revenues over (under) expenditures	(460,993)	-	(460,993)	(245)	(239,330)
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	220,091
Transfers out	(162,859)	-	(162,859)	-	(1,303,055)
Total Other Financing Sources (Uses)	(162,859)	-	(162,859)	-	(1,082,964)
Net change in fund balances	(623,852)	-	(623,852)	(245)	(1,322,294)
Fund Balances (deficit), beginning of year	(946,736)	-	(946,736)	257,973	9,695,245
Fund Balances (deficit), end of year	\$ (1,570,588)	\$ -	\$ (1,570,588)	\$ 257,728	\$ 8,372,951

## **FIDUCIARY FUNDS**

### **AGENCY FUND**

Agency Funds are established to account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others, such as student activity funds, performance bonds, and police detail.

TOWN OF HANOVER, MASSACHUSETTS

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2017

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2017</u>
<u>Agency Funds</u>				
Assets - cash and short-term investments	\$ 826,021	\$ 1,018,340	\$ (992,867)	\$ 851,494
Assets - accounts receivables	<u>117,573</u>	<u>474,302</u>	<u>(530,637)</u>	<u>61,238</u>
	<u>\$ 943,594</u>	<u>\$ 1,492,642</u>	<u>\$ (1,523,504)</u>	<u>\$ 912,732</u>
Accounts payable	\$ 30,538	\$ 8,203	\$ (30,538)	\$ 8,203
Accrued liabilities	-	21,417	-	21,417
Liabilities - other liabilities	<u>913,056</u>	<u>1,463,022</u>	<u>(1,492,966)</u>	<u>883,112</u>
Total Liabilities	<u>\$ 943,594</u>	<u>\$ 1,492,642</u>	<u>\$ (1,523,504)</u>	<u>\$ 912,732</u>