

TOWN OF HANOVER, MASSACHUSETTS

Annual Financial Statements

For the Fiscal Year Ended June 30, 2018

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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, 2018, 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, 2018, 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 63 to 66 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 71 through 76 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 26, 2019 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 solely 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 the effectiveness of the Town's 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 26, 2019

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, 2018.

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.

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 \$37,924,151 (i.e., net position), a change of \$8,621,319 in comparison to the prior year, as restated
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,828,769, a change of \$(11,346,135) in comparison to the prior year, as restated.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,079,124, a change of \$(60,564) 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 (in thousands).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 32,955	\$ 44,110	\$ 2,862	\$ 2,403	\$ 35,817	\$ 46,513
Capital assets	<u>115,604</u>	<u>99,027</u>	<u>9,110</u>	<u>9,407</u>	<u>124,714</u>	<u>108,434</u>
Total assets	148,559	143,137	11,972	11,810	160,531	154,947
Deferred outflows of resources	937	3,623	136	191	1,073	3,814
Current liabilities	24,134	21,483	1,079	536	25,214	22,019
Noncurrent liabilities	<u>92,044</u>	<u>90,068</u>	<u>3,859</u>	<u>4,767</u>	<u>95,903</u>	<u>94,835</u>
Total liabilities of resources	116,178	111,551	4,938	5,303	121,117	116,854
Deferred inflows	2,319	1,274	243	241	2,562	1,515
Net position:						
Net investment in capital assets	67,122	58,019	6,608	6,888	73,730	64,907
Restricted	12,648	12,445	-	-	12,648	12,445
Unrestricted	<u>(48,772)</u>	<u>(36,529)</u>	<u>318</u>	<u>(431)</u>	<u>(48,454)</u>	<u>(36,960)</u>
Total net position	<u>\$ 30,998</u>	<u>\$ 33,935</u>	<u>\$ 6,926</u>	<u>\$ 6,457</u>	<u>\$ 37,924</u>	<u>\$ 40,392</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$37,924,151, a change of \$8,621,319 from the prior year, as restated.

The largest portion of net position, \$73,730,128, 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 \$12,648,342 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 \$(48,454,319) caused primarily by the net pension liability (see Note 18) and accrued but unfunded other post-employment benefits (see Note 20).

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,563	\$ 5,279	\$ 3,910	\$ 3,818	\$ 9,473	\$ 9,097
Operating grants and contributions	17,417	16,228	-	-	17,417	16,228
Capital grants and contributions	6,828	1,567	-	-	6,828	1,567
General revenues:						
Property taxes	44,137	43,224	-	-	44,137	43,224
Excises	3,025	2,909	-	-	3,025	2,909
Penalties and interest on taxes	291	623	-	-	291	623
Grants and contributions not restricted to specific programs	2,372	2,356	-	-	2,372	2,356
Investment income	311	250	-	-	311	250
Other	670	979	8	-	678	979
Total revenues	<u>80,614</u>	<u>73,415</u>	<u>3,918</u>	<u>3,818</u>	<u>84,532</u>	<u>77,233</u>

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
	Expenses:					
General government	3,627	3,332	-	-	3,627	3,332
Public safety	10,176	9,928	-	-	10,176	9,928
Education	49,296	48,827	-	-	49,296	48,827
Public works	4,462	3,877	-	-	4,462	3,877
Human services	867	858	-	-	867	858
Culture and recreation	1,328	1,468	-	-	1,328	1,468
Interest on long-term debt	1,500	1,331	-	-	1,500	1,331
Intergovernmental	637	570	-	-	637	570
Miscellaneous	2	375	-	-	2	375
Water	-	-	4,015	3,718	4,015	3,718
Total expenses	<u>71,895</u>	<u>70,566</u>	<u>4,015</u>	<u>3,718</u>	<u>75,910</u>	<u>74,284</u>
Change in net position before transfers	8,719	2,849	(97)	100	8,622	2,949
Transfers in (out)	<u>(66)</u>	<u>(155)</u>	<u>66</u>	<u>155</u>	<u>-</u>	<u>-</u>
Change in net position	8,653	2,694	(31)	255	8,622	2,949
Net position - beginning of year, as restated	<u>22,345</u>	<u>31,241</u>	<u>6,957</u>	<u>6,202</u>	<u>29,302</u>	<u>37,443</u>
Net position - end of year	<u>\$ 30,998</u>	<u>\$ 33,935</u>	<u>\$ 6,926</u>	<u>\$ 6,457</u>	<u>\$ 37,924</u>	<u>\$ 40,392</u>

Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$8,652,584. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (13,351)
School capital project fund - accrual basis	6,501,198
Nonmajor funds - accrual basis	380,542
Principal debt service in excess of depreciation expense	232,190
Change in other post-employment benefits liability and related deferred outflows/inflows	(923,167)
Change in net pension liability and related deferred outflows/inflows	759,099
Non-bonded capital asset acquisitions	1,980,609
Other GAAP accruals	<u>(264,536)</u>
Total	<u>\$ 8,652,584</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(31,265) from water operations.

D. FINANCIAL ANALYSIS OF 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 \$8,828,769, a change of \$(11,346,135) in comparison to the prior year, as restated. Key elements of this change are as follows:

General fund operating results	\$	(13,351)
School capital project operations		(10,773,972)
Nonmajor funds revenues over expenditures		<u>(558,812)</u>
Total	\$	<u><u>(11,346,135)</u></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 \$6,079,124, while total fund balance was \$10,981,733. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,079,124	\$ 6,139,688	\$ (60,564)	10%
Total fund balance	\$ 10,981,733	\$ 10,995,084	\$ (13,351)	18%

The total fund balance of the general fund changed by \$(13,351) during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$	1,606,809
Appropriation turnbacks by departments		417,850
Excess property tax collections		201,902
Current year encumbrances to be spent in the subsequent year over prior year encumbrances to be spent in the current year		58,059
Use of free cash as a funding source		(2,250,379)
Use of overlay surplus as a funding source		(300,000)
Change in stabilization		200,451
Other		<u>51,957</u>
Total	\$	<u><u>(13,351)</u></u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 2,103,617	\$ 2,100,591	\$ 3,026
Capital stabilization	705,408	507,990	197,418
Wind turbine stabilization	<u>66,965</u>	<u>66,958</u>	<u>7</u>
Total	<u>\$ 2,875,990</u>	<u>\$ 2,675,539</u>	<u>\$ 200,451</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 \$317,965, a change of \$249,110 in comparison to the prior year, as restated.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$998,373. Major reasons for these amendments include:

- \$175,000 for school appropriations.
- \$318,995 for debt service appropriations.
- \$293,000 for general government appropriations.

These supplemental appropriations were funded by \$602,678 from free cash, and \$395,665 transferred from special revenue funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$124,713,403 (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:

- \$17,369,916 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 \$37,415,768, all of which was backed by the full faith and credit of the Town.

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, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 16,009,940	\$ 1,562,872	\$ 17,572,812
Investments	11,763,790	-	11,763,790
Receivables, net of allowance for uncollectibles:			
Property taxes	649,007	-	649,007
Excises	208,393	-	208,393
User fees	-	1,299,579	1,299,579
Departmental and other	332,322	-	332,322
Intergovernmental	547,465	-	547,465
Other assets	173,491	-	173,491
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	607,090	-	607,090
Intergovernmental	2,663,538	-	2,663,538
Capital Assets:			
Land and construction in progress	31,945,845	845,004	32,790,849
Other assets, net of accumulated depreciation	83,657,862	8,264,692	91,922,554
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	575,686	128,501	704,187
Related to OPEB	360,954	7,366	368,320
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	149,495,383	12,108,014	161,603,397
LIABILITIES			
Current:			
Warrants payable	384,251	131,166	515,417
Accrued liabilities	592,374	6,198	598,572
Tax refunds payable	13,741	-	13,741
Notes payable	17,900,221	625,000	18,525,221
Other current liabilities	1,088,779	-	1,088,779
Current portion of long-term liabilities:			
Bonds payable	4,018,556	312,000	4,330,556
Other	137,347	4,416	141,763
Noncurrent:			
Bonds payable, net of current portion	33,215,188	1,739,300	34,954,488
Net pension liability	22,794,587	1,354,320	24,148,907
Net OPEB liability	33,423,851	682,120	34,105,971
Other, net of current portion	2,609,600	83,898	2,693,498
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,876,309	66,808	1,943,117
Related to OPEB	86,128	1,758	87,886
Other	356,484	174,846	531,330
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	118,497,416	5,181,830	123,679,246
NET POSITION			
Net investment in capital assets	67,121,909	6,608,219	73,730,128
Restricted for:			
Grants and other statutory restrictions	12,392,288	-	12,392,288
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	89,594	-	89,594
Unrestricted	(48,772,284)	317,965	(48,454,319)
TOTAL NET POSITION	\$ 30,997,967	\$ 6,926,184	\$ 37,924,151

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

TOWN OF HANOVER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 3,626,801	\$ 733,188	\$ 557,830	\$ -	\$ (2,335,783)	\$ -	\$ (2,335,783)
Public safety	10,176,421	1,453,048	1,052,625	-	(7,670,748)	-	(7,670,748)
Education	49,296,130	2,898,823	15,622,674	6,321,361	(24,453,272)	-	(24,453,272)
Public works	4,462,060	174,155	-	506,617	(3,781,288)	-	(3,781,288)
Health and human services	867,514	97,029	138,883	-	(631,602)	-	(631,602)
Culture and recreation	1,328,059	206,452	44,954	-	(1,076,653)	-	(1,076,653)
Interest	1,499,858	-	-	-	(1,499,858)	-	(1,499,858)
Intergovernmental	636,630	-	-	-	(636,630)	-	(636,630)
Miscellaneous	1,695	-	-	-	(1,695)	-	(1,695)
Total Governmental Activities	71,895,168	5,562,695	17,416,966	6,827,978	(42,087,529)	-	(42,087,529)
Business-Type Activities:							
Water services	4,014,815	3,909,739	-	-	-	(105,076)	(105,076)
Total Business-Type Activities	4,014,815	3,909,739	-	-	-	(105,076)	(105,076)
Total	\$ 75,909,983	\$ 9,472,434	\$ 17,416,966	\$ 6,827,978	(42,087,529)	(105,076)	(42,192,605)
General Revenues and Transfers:							
Property taxes					44,137,472	-	44,137,472
Excises					3,025,056	-	3,025,056
Penalties, interest and other taxes					290,872	-	290,872
Grants and contributions not restricted to specific programs					2,372,252	-	2,372,252
Investment income					310,833	-	310,833
Miscellaneous					670,078	7,361	677,439
Transfers, net					(66,450)	66,450	-
Total general revenues and transfers					50,740,113	73,811	50,813,924
Change in Net Position					8,652,584	(31,265)	8,621,319
Net Position:							
Beginning of year, as restated					22,345,383	6,957,449	29,302,832
End of year					\$ 30,997,967	\$ 6,926,184	\$ 37,924,151

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

TOWN OF HANOVER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 1,557,123	\$ 4,278,907	\$ 10,173,910	\$ 16,009,940
Investments	10,966,000	-	797,790	11,763,790
Receivables:				
Property taxes	1,463,097	-	-	1,463,097
Excises	271,855	-	2,538	274,393
Departmental and other	-	-	1,507,951	1,507,951
Intergovernmental	-	-	80,000	80,000
Due from other funds	30,000	-	-	30,000
Due from other governments	27,053	-	520,412	547,465
Other assets	-	-	173,491	173,491
TOTAL ASSETS	\$ 14,315,128	\$ 4,278,907	\$ 13,256,092	\$ 31,850,127
LIABILITIES				
Warrants payable	\$ 310,485	\$ 5,003	\$ 68,763	\$ 384,251
Accrued liabilities	385,610	-	-	385,610
Due to other funds	-	-	30,000	30,000
Tax refunds payable	13,741	-	-	13,741
Notes payable	-	15,269,542	2,630,679	17,900,221
Other liabilities	1,067,074	-	-	1,067,074
TOTAL LIABILITIES	1,776,910	15,274,545	2,729,442	19,780,897
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,556,485	-	1,683,976	3,240,461
FUND BALANCES				
Nonspendable	-	-	166,460	166,460
Restricted	1,170,257	1,302,435	7,902,087	10,374,779
Committed	1,627,493	-	3,395,997	5,023,490
Assigned	2,104,859	-	-	2,104,859
Unassigned	6,079,124	(12,298,073)	(2,621,870)	(8,840,819)
TOTAL FUND BALANCES	10,981,733	(10,995,638)	8,842,674	8,828,769
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,315,128	\$ 4,278,907	\$ 13,256,092	\$ 31,850,127

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, 2018

Total governmental fund balances	\$ 8,828,769
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	115,603,707
• Long-term receivables not reported in governmental funds.	2,663,538
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,690,127
• 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.	(97,581,410)
• Other	<u>(206,764)</u>
Net position of governmental activities	<u><u>\$ 30,997,967</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, 2018

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 42,970,182	\$ -	\$ 1,006,160	\$ 43,976,342
Excises	3,123,953	-	21,465	3,145,418
Penalties, interest, and other taxes	290,711	-	160	290,871
Charges for services	472,845	-	4,309,152	4,781,997
Licenses and permits	613,306	-	-	613,306
Fines and forfeitures	144,211	-	-	144,211
Intergovernmental	13,834,790	6,321,361	3,718,814	23,874,965
Investment income	217,537	-	62,313	279,850
Miscellaneous	118,261	179,837	572,935	871,033
	<u>61,785,796</u>	<u>6,501,198</u>	<u>9,690,999</u>	<u>77,977,993</u>
Total Revenues				
Expenditures:				
Current:				
General government	3,016,636	-	848,576	3,865,212
Public safety	7,699,401	-	1,794,248	9,493,649
Education	34,133,847	17,275,170	5,174,302	56,583,319
Public works	3,453,959	-	643,030	4,096,989
Health and human services	553,936	-	143,474	697,410
Culture and recreation	783,495	-	217,736	1,001,231
Employee benefits	7,200,808	-	-	7,200,808
Miscellaneous	-	-	1,695	1,695
Debt service	5,254,527	-	426,208	5,680,735
Intergovernmental	636,630	-	-	636,630
	<u>62,733,239</u>	<u>17,275,170</u>	<u>9,249,269</u>	<u>89,257,678</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(947,443)	(10,773,972)	441,730	(11,279,685)
Other Financing Sources (Uses):				
Transfers in	1,742,542	-	1,024,860	2,767,402
Transfers out	(808,450)	-	(2,025,402)	(2,833,852)
	<u>934,092</u>	<u>-</u>	<u>(1,000,542)</u>	<u>(66,450)</u>
Total Other Financing Sources (Uses)				
Change in fund balance	(13,351)	(10,773,972)	(558,812)	(11,346,135)
Fund Balance, at Beginning of Year, as restated	10,995,084	(221,666)	9,401,486	20,174,904
Fund Balance, at End of Year	<u>\$ 10,981,733</u>	<u>\$ (10,995,638)</u>	<u>\$ 8,842,674</u>	<u>\$ 8,828,769</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, 2018

Net changes in fund balances - total governmental funds	\$ (11,346,135)																						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td> <td style="text-align: right;">20,203,001</td> </tr> <tr> <td>Loss on disposal of assets</td> <td style="text-align: right;">(7,868)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,618,378)</td> </tr> </table> 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> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,850,568</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">216,649</td> </tr> <tr> <td>Amortization of refunding premium</td> <td style="text-align: right;">32,408</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">275,290</td> </tr> </table> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">759,099</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(923,167)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">224,477</td> </tr> </table> Other differences. <table> <tr> <td></td> <td style="text-align: right;"><u>(1,013,360)</u></td> </tr> </table> 		Capital outlay	20,203,001	Loss on disposal of assets	(7,868)	Depreciation	(3,618,378)	Repayments of debt	3,850,568	Amortization of bond premium	216,649	Amortization of refunding premium	32,408		275,290	Net pension liability and related deferred outflows and inflows of resources	759,099	Net OPEB liability and related deferred outflows and inflows of resources	(923,167)	Other	224,477		<u>(1,013,360)</u>
Capital outlay	20,203,001																						
Loss on disposal of assets	(7,868)																						
Depreciation	(3,618,378)																						
Repayments of debt	3,850,568																						
Amortization of bond premium	216,649																						
Amortization of refunding premium	32,408																						
	275,290																						
Net pension liability and related deferred outflows and inflows of resources	759,099																						
Net OPEB liability and related deferred outflows and inflows of resources	(923,167)																						
Other	224,477																						
	<u>(1,013,360)</u>																						
Change in net assets of governmental activities	\$ <u>8,652,584</u>																						

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

TOWN OF HANOVER, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 42,768,280	\$ 42,768,280	\$ 42,768,280	\$ -
Excises	2,330,750	2,330,750	3,123,953	793,203
Penalties, interest, and other taxes	130,000	130,000	290,705	160,705
Charges for services	291,640	291,640	472,845	181,205
Licenses and permits	448,420	448,420	613,306	164,886
Fines and forfeitures	91,870	91,870	144,211	52,341
Intergovernmental	10,118,292	10,118,292	10,132,283	13,991
Investment income	58,725	58,725	217,092	158,367
Miscellaneous	36,150	36,150	118,261	82,111
Other financing sources:				
Transfers in	1,610,272	2,005,937	2,005,937	-
Use of overlay surplus	300,000	300,000	300,000	-
Use of free cash	1,647,701	2,250,379	2,250,379	-
Total Revenues	<u>59,832,100</u>	<u>60,830,443</u>	<u>62,437,252</u>	<u>1,606,809</u>
Expenditures and other uses:				
Current:				
General government				
Personal services	275,035	275,035	274,927	108
General expense	248,900	341,900	327,432	14,468
Articles	301,000	501,000	501,000	-
Finance department				
Personal services	776,016	736,016	729,325	6,691
General expense	170,293	235,292	220,467	14,825
Police				
Personal services	3,591,810	3,591,810	3,545,599	46,211
General expense	254,887	254,887	246,443	8,444
Articles	147,000	147,000	147,000	-
Fire				
Personal services	2,724,985	2,724,985	2,646,763	78,222
General expense	270,754	270,754	245,525	25,229
Articles	14,814	14,814	14,814	-
Community Resources				
Personal services	1,416,047	1,416,047	1,415,105	942
General expense	470,104	470,104	437,043	33,061
Articles	231,000	231,000	231,000	-
Hanover Public Schools				
Operating budget	27,165,115	27,165,115	27,165,115	-
Articles	65,000	240,000	240,000	-
Other education - South Shore Vocational	797,804	797,804	787,061	10,743
Public works				
Personal services	1,231,699	1,211,699	1,171,618	40,081
General expense	1,356,305	1,295,655	1,285,824	9,831
Articles	259,888	259,888	259,888	-
Facilities				
Personal services	1,952,274	1,972,274	1,966,751	5,523
General expense	1,720,876	1,770,376	1,762,300	8,076
Articles	118,833	118,833	118,833	-
Snow & Ice				
Personal services	71,000	171,000	163,085	7,915
General expense	316,000	531,650	539,529	(7,879)
Town wide expenses	7,815,190	7,692,690	7,592,346	100,344
Articles	410,000	413,679	413,679	-
Debt	5,013,619	5,333,284	5,327,491	5,793
State assessments	591,661	591,661	582,439	9,222
County assessments	54,191	54,191	54,191	-
Total Expenditures	<u>59,832,100</u>	<u>60,830,443</u>	<u>60,412,593</u>	<u>417,850</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,024,659</u>	<u>\$ 2,024,659</u>

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

TOWN OF HANOVER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,562,872
User fees, net of allowance for uncollectibles	<u>1,299,579</u>
Total current assets	2,862,451
Noncurrent:	
Capital Assets:	
Land and construction in progress	845,004
Other assets, net of accumulated depreciation	<u>8,264,692</u>
Total noncurrent assets	9,109,696
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	128,501
Related to OPEB	<u>7,366</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,108,014
LIABILITIES	
Current:	
Warrants payable	131,166
Accrued liabilities	6,198
Notes payable	625,000
Current portion of long-term liabilities:	
Bonds payable	312,000
Other	<u>4,416</u>
Total current liabilities	1,078,780
Noncurrent:	
Bonds payable, net of current portion	1,739,300
Net pension liability	1,354,320
Net OPEB liability	682,120
Other, net of current portion	<u>83,898</u>
Total noncurrent liabilities	3,859,638
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	66,808
Related to OPEB	1,758
Other	<u>174,846</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,181,830
NET POSITION	
Invested in capital assets, net of related debt	6,608,219
Unrestricted	<u>317,965</u>
TOTAL NET POSITION	\$ <u>6,926,184</u>

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

TOWN OF HANOVER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 3,842,952
Other	<u>66,506</u>
Total Operating Revenues	3,909,458
Operating Expenses:	
Salaries and benefits	1,466,037
Other operating expenses	2,029,805
Depreciation	<u>443,992</u>
Total Operating Expenses	<u>3,939,834</u>
Operating Loss	(30,376)
Nonoperating Revenues (Expenses):	
Investment income	281
Interest expense	(74,981)
Other nonoperating revenues	<u>7,361</u>
Total Nonoperating Revenues (Expenses), Net	<u>(67,339)</u>
Income (Loss) Before Transfers	(97,715)
Transfers:	
Transfers in	<u>66,450</u>
Change in Net Position	(31,265)
Net Position at Beginning of Year, as restated	<u>6,957,449</u>
Net Position at End of Year	<u>\$ 6,926,184</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, 2018

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 3,896,694
Payments to vendors and employees	<u>(3,473,046)</u>
Net Cash Provided By Operating Activities	423,648
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers in	<u>66,450</u>
Net Cash Provided By Noncapital Financing Activities	66,450
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Proceeds from issuance of bonds and notes	485,000
Acquisition and construction of capital assets	(146,990)
Principal payments on bonds	(315,000)
Interest expense	(74,981)
Other nonoperating income	<u>7,361</u>
Net Cash (Used For) Capital and Related Financing Activities	(44,610)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>281</u>
Net Cash Provided By Investing Activities	<u>281</u>
Net Change in Cash and Short-Term Investments	445,769
Cash and Short-Term Investments, Beginning of Year	<u>1,117,103</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,562,872</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ (30,376)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	443,992
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(12,764)
Deferred outflows - related to pensions	62,192
Deferred outflows - related to OPEB	(7,366)
Warrants and accounts payable	89,302
Accrued expenses	(26,702)
Compensated absences	(23,724)
Net pension liability	(97,918)
Net OPEB liability	24,449
Deferred inflows - related to pensions	20,232
Deferred inflows - related to OPEB	1,758
Deferred inflows - other	<u>(19,427)</u>
Net Cash Provided By Operating Activities	<u>\$ 423,648</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, 2018

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 476,840	\$ 122,240	\$ 997,641
Investments			
Equity mutual funds	1,072,690	-	-
Fixed income mutual funds	383,560	-	-
Corporate bonds	112,513	-	-
U.S treasury notes	98,568	-	-
Federal agency securities	97,162	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>78,084</u>
Total Assets	2,241,333	122,240	1,075,725
LIABILITIES AND NET POSITION			
Accounts payable	-	-	32,306
Escrow deposits	<u>-</u>	<u>-</u>	<u>1,043,419</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,075,725</u>
NET POSITION			
Restricted for OPEB purposes	2,241,333	-	-
Restricted for other purposes	<u>-</u>	<u>122,240</u>	<u>-</u>
Total Net Position	<u>\$ 2,241,333</u>	<u>\$ 122,240</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, 2018

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>
Additions:		
Employer contributions	\$ 1,539,633	\$ 10,000
Interest income	<u>75,590</u>	<u>19</u>
Total additions	1,615,223	10,019
Deductions:		
Benefit payments to plan members and beneficiaries	1,158,250	-
Other	<u>-</u>	<u>14,300</u>
Total deductions	<u>1,158,250</u>	<u>14,300</u>
Net increase (decrease)	456,973	(4,281)
Net position restricted for pensions and other purposes:		
Beginning of year, as restated	<u>1,784,360</u>	<u>126,521</u>
End of year	<u><u>\$ 2,241,333</u></u>	<u><u>\$ 122,240</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 2018, 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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 the following major proprietary fund:

- Water Enterprise Fund

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 *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- 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 2018 tax levy reflected an excess capacity of \$614,610.

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)	\$ 61,785,796	\$ 62,733,239
Other financing sources/uses (GAAP basis)	<u>1,742,542</u>	<u>808,450</u>
Subtotal (GAAP Basis)	63,528,338	63,541,689
Adjust tax revenue to accrual basis	(201,902)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(972,435)
Add end-of-year appropriation carryforwards from expenditures	-	1,030,494
To record use of overlay surplus	300,000	-
To record use of free cash	2,250,379	-
To remove unbudgeted stabilization fund	(200,451)	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,702,507)	(3,702,507)
Other timing issues and reclassifications	<u>463,395</u>	<u>515,352</u>
Budgetary basis	<u>\$ 62,437,252</u>	<u>\$ 60,412,593</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018.

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, 2018, \$5,296,285 of the Town's bank balance of \$19,627,276 was exposed to custodial credit risk as uninsured or uncollateralized. \$5,029,047 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

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.):

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End			
			AAA	Aa1-A3	Baa1-B3	Not Rated
Debt related securities:						
U.S treasury notes	\$ 489	\$ -	\$ 489	\$ -	\$ -	\$ -
Federal agency securities	1,089	-	1089	-	-	-
Corporate bonds	541	-	-	314	227	-
Fixed income mutual funds	702	-	386	85	179	52
Total debt securities	2,821	-	1,964	399	406	52
Equity securities:						
Equity mutual funds	2,831	2,831	-	-	-	-
Total equities	2,831	2,831	-	-	-	-
Certificates of deposits	7,876	7,876	-	-	-	-
Total investments	\$ 13,528	\$ 10,707	\$ 1,964	\$ 399	\$ 406	\$ 52

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 Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. treasury notes	\$ 489	\$ 287	\$ 202	\$ -
Federal agency securities	1,089	-	1,089	-
Corporate bonds	541	177	330	34
Fixed income mutual funds	702	-	556	146
Total	<u>\$ 2,821</u>	<u>\$ 464</u>	<u>\$ 2,177</u>	<u>\$ 180</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, 2018:

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 489	\$ -	\$ 489	\$ -
Federal agency securities	1,089	-	1,089	-
Corporate bonds	541	-	541	-
Bond mutual funds	702	-	702	-
Equity securities:				
Mutual funds	<u>2,831</u>	<u>2,831</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,652</u>	<u>\$ 2,831</u>	<u>\$ 2,821</u>	<u>\$ -</u>

5. Property 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.

Property taxes and excise receivables at June 30, 2018 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate and personal property taxes	\$ 673,101	\$ (140,000)	\$ 533,101
Tax liens	667,523	(67,000)	600,523
Deferred Property	<u>122,473</u>	<u>-</u>	<u>122,473</u>
Total property taxes	\$ <u>1,463,097</u>	\$ <u>(207,000)</u>	1,256,097
Less current portion:			<u>(649,007)</u>
Noncurrent taxes receivable			<u>\$ 607,090</u>
 Motor vehicle and boat excises	 \$ 274,393	 \$ (66,000)	 \$ 208,393
Total excises	<u>\$ 274,393</u>	<u>\$ (66,000)</u>	<u>\$ 208,393</u>

6. User Fee Receivables

Receivables for user charges and betterments at June 30, 2018 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water charges and liens	\$ 1,369,579	\$ (70,000)	\$ 1,299,579
Total	<u>\$ 1,369,579</u>	<u>\$ (70,000)</u>	<u>\$ 1,299,579</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018.

8. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 30,000	\$ -
Special Revenue Funds:	<u>-</u>	<u>(30,000)</u>
Total	<u>\$ 30,000</u>	<u>\$ (30,000)</u>

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>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,742,542	\$ (808,450)
Nonmajor Funds:		
Special Revenue Funds:	1,024,860	(2,025,402)
<u>Business-Type Funds:</u>		
Water Fund	<u>66,450</u>	<u>-</u>
Grand Total	<u>\$ 2,833,852</u>	<u>\$ (2,833,852)</u>

Of the transfer into the general fund, \$933,095 was transferred from the Ambulance fund for operating expenditures. Of the transfer out of the general fund, \$410,000 was transferred to fund the Sick Leave Trust funds. 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, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,620	\$ 157	\$ -	\$ 100,777
Machinery, equipment, and furnishings	3,834	97	-	3,931
Vehicles	9,009	348	-	9,357
Infrastructure	<u>31,313</u>	<u>596</u>	<u>-</u>	<u>31,909</u>
Total capital assets, being depreciated	144,776	1,198	-	145,974
Less accumulated depreciation for:				
Buildings and improvements	(31,509)	(2,227)	-	(33,736)
Machinery, equipment, and furnishings	(2,473)	(158)	-	(2,631)
Vehicles	(7,179)	(638)	-	(7,817)
Infrastructure	<u>(17,538)</u>	<u>(595)</u>	<u>-</u>	<u>(18,133)</u>
Total accumulated depreciation	<u>(58,699)</u>	<u>(3,618)</u>	<u>-</u>	<u>(62,317)</u>
Total capital assets, being depreciated, net	86,077	(2,420)	-	83,657
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>2,919</u>	<u>19,004</u>	<u>(7)</u>	<u>21,916</u>
Total capital assets, not being depreciated	<u>12,950</u>	<u>19,004</u>	<u>(7)</u>	<u>31,947</u>
Governmental activities capital assets, net	<u>\$ 99,027</u>	<u>\$ 16,584</u>	<u>\$ (7)</u>	<u>\$ 115,604</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,475	\$ -	\$ -	\$ 6,475
Vehicles	292	130	-	422
Infrastructure	<u>12,463</u>	<u>-</u>	<u>-</u>	<u>12,463</u>
Total capital assets, being depreciated	19,230	130	-	19,360
Less accumulated depreciation for:				
Buildings and improvements	(2,386)	(138)	-	(2,524)
Vehicles	(131)	(71)	-	(202)
Infrastructure	<u>(8,134)</u>	<u>(235)</u>	<u>-</u>	<u>(8,369)</u>
Total accumulated depreciation	<u>(10,651)</u>	<u>(444)</u>	<u>-</u>	<u>(11,095)</u>
Total capital assets, being depreciated, net	8,579	(314)	-	8,265
Capital assets, not being depreciated:				
Land	828	-	-	828
Construction in progress	<u>-</u>	<u>17</u>	<u>-</u>	<u>17</u>
Total capital assets, not being depreciated	<u>828</u>	<u>17</u>	<u>-</u>	<u>845</u>
Business-type activities capital assets, net	<u>\$ 9,407</u>	<u>\$ (297)</u>	<u>\$ -</u>	<u>\$ 9,110</u>

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

Governmental Activities:	
General government	\$ 27
Public safety	570
Education	1,721
Public works	903
Health and human services	101
Culture and recreation	<u>296</u>
Total depreciation expense - governmental activities	<u>\$ 3,618</u>
Business-Type Activities:	
Water	<u>\$ 444</u>
Total depreciation expense - business-type activities	<u>\$ 444</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Warrants and Accounts Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018. Accounts payable represent additional 2016 expenditures paid after July 15, 2016.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Bond anticipation	3.00%	06/22/18	06/21/19	\$ <u>18,525,221</u>
Total				\$ <u><u>18,525,221</u></u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental	\$ 14,385,185	\$ 17,900,221	\$ (14,385,185)	\$ 17,900,221
Enterprise	<u>140,000</u>	<u>625,000</u>	<u>(140,000)</u>	<u>625,000</u>
Total	\$ <u><u>14,525,185</u></u>	\$ <u><u>18,525,221</u></u>	\$ <u><u>(14,525,185)</u></u>	\$ <u><u>18,525,221</u></u>

14. 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:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Septic betterment	08/01/18	0.00%	\$ 10,868
School reconstruction refunding	05/15/21	4.50%	3,145,000
Library reconstruction refunding	05/15/21	4.50%	260,000
Stormwater management	08/01/22	3.00%	55,000
General purpose	05/15/29	3.00%	970,000
General obligation refunding	05/15/29	2.00-4.00%	12,553,700
General obligation loan	06/30/32	2.87%	9,240,000
General obligation loan	09/01/34	3.96%	8,880,000
MWPAT T5-97-1140-A	01/15/35	0.00%	<u>249,900</u>
Total Governmental Activities			\$ <u><u>35,364,468</u></u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
General obligation refunding	05/15/29	2.00-4.00%	\$ 1,571,300
Alternative Energy	06/30/32	2.87%	<u>480,000</u>
Total Business-Type Activities			<u>\$ 2,051,300</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,813,568	\$ 1,795,018	\$ 5,608,586
2020	3,845,400	1,155,956	5,001,356
2021	3,789,700	999,053	4,788,753
2022	2,694,700	848,082	3,542,782
2023	2,734,700	729,107	3,463,807
2024 - 2028	12,833,500	2,045,550	14,879,050
2029 - 2033	5,003,500	421,500	5,425,000
2034 - 2036	<u>649,400</u>	<u>19,375</u>	<u>668,775</u>
Total	<u>\$ 35,364,468</u>	<u>\$ 8,013,641</u>	<u>\$ 43,378,109</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	295,000	31,850	326,850
2024 - 2028	465,000	47,000	512,000
2029 - 2031	<u>65,000</u>	<u>3,600</u>	<u>68,600</u>
Total	<u>\$ 2,051,300</u>	<u>\$ 335,324</u>	<u>\$ 2,386,624</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 39,215	\$ -	\$ (3,851)	\$ 35,364	\$ (3,814)	\$ 31,550
Unamortized premium	<u>2,086</u>	<u>-</u>	<u>(216)</u>	<u>1,870</u>	<u>(205)</u>	<u>1,665</u>
Subtotal	41,301	-	(4,067)	37,234	(4,019)	33,215
Net pension liability	27,593	-	(4,798)	22,795	-	22,795
Net OPEB liability	32,226	1,198	-	33,424	-	33,424
Other:						
Compensated absences	<u>2,971</u>	<u>149</u>	<u>(373)</u>	<u>2,747</u>	<u>(137)</u>	<u>2,610</u>
Subtotal - other	<u>2,971</u>	<u>149</u>	<u>(373)</u>	<u>2,747</u>	<u>(137)</u>	<u>2,610</u>
Totals	\$ <u>104,091</u>	\$ <u>1,347</u>	\$ <u>(9,238)</u>	\$ <u>96,200</u>	\$ <u>(4,156)</u>	\$ <u>92,044</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ <u>2,366</u>	\$ <u>-</u>	\$ <u>(315)</u>	\$ <u>2,051</u>	\$ <u>(312)</u>	\$ <u>1,739</u>
Subtotal	2,366	-	(315)	2,051	(312)	1,739
Net pension liability	1,452	-	(98)	1,354	-	1,354
Net OPEB liability	658	24		682	-	682
Other:						
Compensated absences	<u>112</u>	<u>6</u>	<u>(30)</u>	<u>88</u>	<u>(4)</u>	<u>84</u>
Subtotal - other	<u>112</u>	<u>6</u>	<u>(30)</u>	<u>88</u>	<u>(4)</u>	<u>84</u>
Totals	\$ <u>4,588</u>	\$ <u>30</u>	\$ <u>(443)</u>	\$ <u>4,175</u>	\$ <u>(316)</u>	\$ <u>3,859</u>

15. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *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.

16. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2018:

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, 2018:

	General Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	166,460	166,460
Restricted				
Bonded projects	-	1,302,435	390,682	1,693,117
Debt service	1,170,257	-	-	1,170,257
Special revenue funds	-	-	7,421,811	7,421,811
Expendable permanent funds	-	-	89,594	89,594
Total Restricted	1,170,257	1,302,435	7,902,087	10,374,779
Committed				
Continued appropriations				
General government	79,622	-	-	79,622
Finance department	32,000	-	-	32,000
Police	10,529	-	-	10,529
Fire	38,468	-	-	38,468
Community resources	883	-	-	883
Hanover Public Schools	175,000	-	-	175,000
Facilities	303,419	-	-	303,419
Public works	208,684	-	-	208,684
Debt service	6,515	-	-	6,515
Capital stabilization	705,408	-	-	705,408
Wind turbine stabilization	66,965	-	-	66,965
Community preservation	-	-	3,395,997	3,395,997
Total Committed	1,627,493	-	3,395,997	5,023,490
Assigned				
Encumbrances				
General government	16	-	-	16
Finance department	7,666	-	-	7,666
Police	1,966	-	-	1,966
Fire	133	-	-	133
Community resources	939	-	-	939
Hanover Public Schools	28,275	-	-	28,275
Facilities	73,638	-	-	73,638
Public works	33,467	-	-	33,467
Health and human services	7,514	-	-	7,514
Employee benefits	15,245	-	-	15,245
Reserved for expenditures	1,936,000	-	-	1,936,000
Total Assigned	2,104,859	-	-	2,104,859
Unassigned				
Special revenue funds	-	-	(109,496)	(109,496)
Capital projects	-	(12,298,073)	(2,512,374)	(14,810,447)
General stabilization	2,103,617	-	-	2,103,617
Unassigned	3,975,507	-	-	3,975,507
Total Unassigned	6,079,124	(12,298,073)	(2,621,870)	(8,840,819)
Total Fund Balances	\$ 10,981,733	\$ (10,995,638)	\$ 8,842,674	\$ 8,828,769

17. General Fund Unassigned Fund Balance

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

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

Massachusetts General Laws require that non-property tax revenue budget 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	\$ 6,079,124
Stabilization fund	(2,103,617)
Tax refund estimate	<u>13,741</u>
Statutory (UMAS) Balance	<u>\$ 3,989,248</u>

18. Retirement System

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

A. Plan Description

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

from the System located at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

Participant Retirement Benefits

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

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, 2018 was \$3,069,053, 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, 2018, the Town reported a liability of \$24,148,907 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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, 2017, the Town's proportion was 4.4912 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$2,294,458. 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	\$ 525,684	\$ -
Changes of assumptions	-	574,317
Net difference between projected and actual earnings on pension plan investments	-	927,450
Changes in proportion and differences between contributions and proportionate share of contributions	<u>178,503</u>	<u>441,350</u>
Total	<u>\$ 704,187</u>	<u>\$ 1,943,117</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:	
2019	\$ 230,187
2020	(72,885)
2021	(679,127)
2022	<u>(717,105)</u>
Total	<u>\$ (1,238,930)</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 Nominal 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%
Real 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>
\$ 31,329,162	\$ 24,148,907	\$ 17,932,091

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.

19. 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) establish 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 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (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, 2017 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	40.00%	5.00%
Portfolio completion strategies	13.00%	3.60%
Core fixed income	12.00%	1.10%
Private equity	11.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</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>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

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 \$68,581,371 and \$7,158,037 respectively, based on a proportionate share of 0.299673%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both a revenue and expense in the governmental activities.

20. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield, Harvard Pilgrim, and Medex. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	337
Active employees	<u>606</u>
Total	<u>943</u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.71%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	4.75%
Healthcare cost trend rates	5.00% for 2017

Pre-Retirement Mortality rates were based on the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Post-Retirement Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Disabled Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

The long-term expected rate of return on OPEB 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 investment expense and inflation) 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 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 target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large cap	20.25%	4.00%
Domestic equity - Small/mid cap	7.50%	6.00%
International equity - Developed market	10.00%	4.50%
International equity - Emerging market	4.75%	7.00%
Domestic fixed income	27.25%	2.00%
International fixed income	6.00%	3.00%
Alternatives	19.50%	6.50%
Real estate	2.75%	6.25%
Cash	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the net OPEB liability was 4.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.71% and municipal bond rate of 3.13% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2017).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2017, were as follows:

Total OPEB liability	\$ 35,795,255
Plan fiduciary net position	<u>1,689,284</u>
Net OPEB liability	<u>\$ 34,105,971</u>

E. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 34,090,020	\$ 1,206,491	\$ 32,883,529
Changes for the year:			
Service cost	1,141,235	-	1,141,235
Interest	1,648,038	-	1,648,038
Contributions - employer	-	1,376,018	(1,376,018)
Net investment income	-	190,813	(190,813)
Benefit payments	<u>(1,084,038)</u>	<u>(1,084,038)</u>	<u>-</u>
Net Changes	<u>1,705,235</u>	<u>482,793</u>	<u>1,222,442</u>
Balances, end of year	<u>\$ 35,795,255</u>	<u>\$ 1,689,284</u>	<u>\$ 34,105,971</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50% percent in 2016 to 4.75% percent in 2017.

F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 40,241,822	\$ 34,105,971	\$ 29,407,214

G. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 23,844,822	\$ 34,105,971	\$ 47,376,257

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$1,332,299. At June 30, 2018, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 368,320	\$ -
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>87,886</u>
Total	<u>\$ 368,320</u>	<u>\$ 87,886</u>

The \$368,320 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ (21,971)
2020	(21,971)
2021	(21,971)
2022	<u>(21,973)</u>
Total	\$ <u>(87,886)</u>

21. Other Post-Employment Benefits (GASB 74)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2018, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. Investments

The OPEB trust fund assets consist of equities and fixed income.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.71%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	5.00%
Healthcare cost trend rates	5.00% for 2018

Pre-Retirement Mortality rates were based on the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Post-Retirement Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females. Disabled Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2015.

The long-term expected rate of return on OPEB 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 investment expense and inflation) 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 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 target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large cap	20.25%	4.00%
Domestic equity - Small/mid cap	7.50%	6.00%
International equity - Developed market	10.00%	4.50%
International equity - Emerging market	4.75%	7.00%
Domestic fixed income	27.25%	2.00%
International fixed income	6.00%	3.00%
Alternatives	19.50%	6.50%
Real estate	2.75%	6.25%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the total OPEB liability was 4.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based

on a combination of the investment rate of return of 6.87% and municipal bond rate of 3.45% (based on index provided by S&P on 20-year municipal bond rate as of June 30, 2017).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 36,102,487
Plan fiduciary net position	<u>2,241,334</u>
Net OPEB liability	<u>\$ 33,861,153</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 6.21%

E. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 39,902,204	\$ 33,861,153	\$ 29,291,724

F. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 23,707,816	\$ 33,861,153	\$ 46,932,617

22. 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.

23. Beginning Net Position and Fund Balance Restatement

The beginning (July 1, 2017) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities <u>Water Fund</u>
As previously reported	\$ 33,935,209	\$ 6,457,545
Implementation of GASB 75 OPEB	(9,805,465)	499,904
Establish OPEB Trust Fund	<u>(1,784,361)</u>	<u>-</u>
As restated	<u>\$ 22,345,383</u>	<u>\$ 6,957,449</u>

Fund Basis Financial Statements:

	<u>General Fund</u>	Other Post- employment Trust Fund
As previously reported	\$ 12,779,444	\$ -
Establish OPEB Trust Fund	<u>(1,784,360)</u>	<u>1,784,360</u>
As restated	<u>\$ 10,995,084</u>	<u>\$ 1,784,360</u>

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

JUNE 30, 2018
(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, 2018	December 31, 2017	4.491%	\$24,148,907	\$ 15,072,632	160.22%	65.56%
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, 2018	June 30, 2017	0.299673%	\$ -	\$ 68,581,371	\$ 68,581,371	\$ 20,349,199	-	54.25%
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, 2018

(Unaudited)

Plymouth County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 3,069,053	\$ 3,069,053	\$ -	\$ 15,072,632	20.36%
June 30, 2017	December 31, 2016	\$ 2,961,848	\$ 2,961,848	\$ -	\$ 14,492,915	20.44%
June 30, 2016	December 31, 2015	\$ 2,849,033	\$ 2,849,033	\$ -	\$ 12,975,337	21.96%
June 30, 2015	December 31, 2014	\$ 2,637,067	\$ 2,637,067	\$ -	\$ 12,506,349	21.09%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 3,702,507	\$ 3,702,507	\$ -	\$ 20,349,199	18.19%
June 30, 2017	June 30, 2016	\$ 3,337,760	\$ 3,337,760	\$ -	\$ 19,522,480	17.10%
June 30, 2016	June 30, 2015	\$ 3,023,169	\$ 3,023,169	\$ -	\$ 18,752,269	16.12%
June 30, 2015	June 30, 2014	\$ 2,749,548	\$ 2,749,548	\$ -	\$ 17,985,082	15.29%

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
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,156,338
Interest on unfunded liability - time value of \$	1,845,453
Benefit payments, including refunds of member contributions	<u>(1,158,250)</u>
Net change in total OPEB liability	1,843,541
Total OPEB liability - beginning	<u>34,258,946</u>
Total OPEB liability - ending (a)	36,102,487
Plan fiduciary net position*	
Contributions - employer	3,323,994
Net investment income	75,590
Benefit payments, including refunds of member contributions	<u>(1,158,250)</u>
Net change in plan fiduciary net position	2,241,334
Plan fiduciary net position - beginning*	<u>-</u>
Plan fiduciary net position - ending (b)	<u>2,241,334</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 33,861,153</u>

*May reflect certain rounding and classification differences from page 26.

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF HANOVER, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>
Total OPEB liability	\$ 36,102,487
Plan fiduciary net position	<u>2,241,334</u>
Net OPEB liability (asset)	<u>\$ 33,861,153</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.21%

Schedule of Investment Returns

	<u>2018</u>
Annual money weighted rate of return, net of investment expense	4.26%

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

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**SUPPLEMENTARY STATEMENTS
AND SCHEDULES**

Combining Financial Statements

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, 2018

	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	
ASSETS										
Cash and short-term investments	\$ (41,724)	\$ 128,354	\$ 2,952,142	\$ 603,036	\$ 3,395,995	\$ 53,673	\$ 75,471	\$ 319,471	\$ 2,428,960	\$ 9,915,378
Investments	-	-	-	-	-	-	-	-	797,790	797,790
Excise	-	-	1,690	-	-	-	-	-	848	2,538
Departmental and other receivables	-	-	1,494,797	-	13,154	-	-	-	-	1,507,951
Intergovernmental receivables	-	-	-	-	-	-	-	-	80,000	80,000
Due from other governments	-	-	-	-	-	13,795	-	-	-	13,795
Other assets	-	-	-	-	-	-	-	-	173,491	173,491
Total Assets	\$ (41,724)	\$ 128,354	\$ 4,448,629	\$ 603,036	\$ 3,409,149	\$ 67,468	\$ 75,471	\$ 319,471	\$ 3,481,089	\$ 12,490,943
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Warrants and accounts payable	\$ 1,383	\$ 5,419	\$ 2,472	\$ 2,952	\$ -	\$ 25,493	\$ 8,877	\$ 22,059	\$ -	\$ 68,655
Due to other funds	-	-	-	-	-	-	-	-	30,000	30,000
Notes payable	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1,383	5,419	2,472	2,952	-	25,493	8,877	22,059	30,000	98,655
Deferred Inflows of Resources										
Unavailable revenue	-	-	1,496,486	-	13,152	-	-	-	174,338	1,683,976
Total Deferred Inflows of Resources	-	-	1,496,486	-	13,152	-	-	-	174,338	1,683,976
Fund Balances:										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	6,639	182,685	2,949,671	600,084	-	41,975	66,594	297,412	3,276,751	7,421,811
Committed	-	-	-	-	3,395,997	-	-	-	-	3,395,997
Unassigned	(49,746)	(59,750)	-	-	-	-	-	-	-	(109,496)
Total Fund Balances	(43,107)	122,935	2,949,671	600,084	3,395,997	41,975	66,594	297,412	3,276,751	10,708,312
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ (41,724)	\$ 128,354	\$ 4,448,629	\$ 603,036	\$ 3,409,149	\$ 67,468	\$ 75,471	\$ 319,471	\$ 3,481,089	\$ 12,490,943

(continued)

TOWN OF HANOVER, MASSACHUSETTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

(continued)

	<u>Capital Project Funds</u>			Permanent Trust Fund	Total Nonmajor Governmental Funds
	<u>Town Projects</u>	<u>Highway Improvements</u>	<u>Subtotal</u>		
<u>ASSETS</u>					
Cash and short-term investments	\$ 555,721	\$ (553,243)	\$ 2,478	\$ 256,054	\$ 10,173,910
Investments	-	-	-	-	797,790
Excise	-	-	-	-	2,538
Departmental and other receivables	-	-	-	-	1,507,951
Intergovernmental receivables	-	-	-	-	80,000
Due from other governments	-	506,617	506,617	-	520,412
Other assets	-	-	-	-	173,491
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,491</u>
Total Assets	<u>\$ 555,721</u>	<u>\$ (46,626)</u>	<u>\$ 509,095</u>	<u>\$ 256,054</u>	<u>\$ 13,256,092</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Warrants and accounts payable	\$ 108	\$ -	\$ 108	\$ -	\$ 68,763
Due to other funds	-	-	-	-	30,000
Notes payable	<u>2,630,679</u>	<u>-</u>	<u>2,630,679</u>	<u>-</u>	<u>2,630,679</u>
Total Liabilities	2,630,787	-	2,630,787	-	2,729,442
Deferred Inflows of Resources					
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,683,976</u>
Total Deferred Inflows of Resources					
Fund Balances:					
Nonspendable	-	-	-	166,460	166,460
Restricted	390,682	-	390,682	89,594	7,902,087
Committed	-	-	-	-	3,395,997
Unassigned	<u>(2,465,748)</u>	<u>(46,626)</u>	<u>(2,512,374)</u>	<u>-</u>	<u>(2,621,870)</u>
Total Fund Balances	<u>(2,075,066)</u>	<u>(46,626)</u>	<u>(2,121,692)</u>	<u>256,054</u>	<u>8,842,674</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 555,721</u>	<u>\$ (46,626)</u>	<u>\$ 509,095</u>	<u>\$ 256,054</u>	<u>\$ 13,256,092</u>

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	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
Revenues:										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,006,160	\$ -	\$ -	\$ -	\$ -	\$ 1,006,160
Excises	-	-	527	-	-	-	-	-	20,938	21,465
Penalties, interest, and other taxes	-	-	160	-	-	-	-	-	-	160
Charges for services	-	-	1,195,037	215,272	-	853,861	-	2,044,832	150	4,309,152
Intergovernmental	980,285	374,613	-	97,357	205,136	258,501	1,268,285	4,900	23,120	3,212,197
Investment income	-	-	-	-	-	-	-	-	62,292	62,292
Miscellaneous	-	-	232,402	27,653	-	-	-	61,502	147,245	468,802
Total Revenues	980,285	374,613	1,428,126	340,282	1,211,296	1,112,362	1,268,285	2,111,234	253,745	9,080,228
Expenditures:										
Current:										
General government	-	34,939	-	-	483,469	-	-	-	328,971	847,379
Public safety	1,020,752	140,788	-	91,839	-	-	-	-	32,922	1,286,301
Education	-	142,795	259,957	-	-	1,084,196	1,526,195	2,113,665	37,814	5,164,622
Public works	-	-	-	-	-	-	-	-	-	-
Health and human services	5,718	27,864	-	104,935	-	-	-	-	4,957	143,474
Culture and recreation	-	49,322	-	140,199	-	-	-	-	28,215	217,736
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	426,208	-	-	-	-	426,208
Total Expenditures	1,026,470	395,708	259,957	336,973	909,677	1,084,196	1,526,195	2,113,665	432,879	8,085,720
Excess (deficiency) of revenues over (under) expenditures	(46,185)	(21,095)	1,168,169	3,309	301,619	28,166	(257,910)	(2,431)	(179,134)	994,508
Other Financing Sources (Uses):										
Transfers in	-	-	482,860	132,000	-	-	-	-	410,000	1,024,860
Transfers out	-	-	(1,503,595)	(482,860)	-	-	-	-	(38,947)	(2,025,402)
Total Other Financing Sources (Uses)	-	-	(1,020,735)	(350,860)	-	-	-	-	371,053	(1,371,595)
Net change in fund balances	(46,185)	(21,095)	147,434	(347,551)	301,619	28,166	(257,910)	(2,431)	191,919	(6,034)
Fund Balances, beginning of year	3,078	144,030	2,802,237	947,635	3,094,378	13,809	324,504	299,843	3,084,832	10,714,346
Fund Balances, end of year	\$ (43,107)	\$ 122,935	\$ 2,949,671	\$ 600,084	\$ 3,395,997	\$ 41,975	\$ 66,594	\$ 297,412	\$ 3,276,751	\$ 10,708,312

(continued)

TOWN OF HANOVER, MASSACHUSETTS

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

(continued)

	Capital Project Funds			Permanent Trust Fund	Total Nonmajor Governmental Funds
	Town Projects	Highway Improvements	Subtotal		
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,006,160
Excises	-	-	-	-	21,465
Penalties, interest, and other taxes	-	-	-	-	160
Charges for services	-	-	-	-	4,309,152
Intergovernmental	-	506,617	506,617	-	3,718,814
Investment income	-	-	-	21	62,313
Miscellaneous	104,133	-	104,133	-	572,935
Total Revenues	104,133	506,617	610,750	21	9,690,999
Expenditures:					
Current:					
General government	1,197	-	1,197	-	848,576
Public safety	507,947	-	507,947	-	1,794,248
Education	9,680	-	9,680	-	5,174,302
Public works	89,787	553,243	643,030	-	643,030
Health and human services	-	-	-	-	143,474
Culture and recreation	-	-	-	-	217,736
Miscellaneous expense	-	-	-	1,695	1,695
Debt service:	-	-	-	-	426,208
Total Expenditures	608,611	553,243	1,161,854	1,695	9,249,269
Excess (deficiency) of revenues over (under) expenditures	(504,478)	(46,626)	(551,104)	(1,674)	441,730
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	1,024,860
Transfers out	-	-	-	-	(2,025,402)
Total Other Financing Sources (Uses)	-	-	-	-	(1,000,542)
Net change in fund balances	(504,478)	(46,626)	(551,104)	(1,674)	(558,812)
Fund Balances (deficit), beginning of year	(1,570,588)	-	(1,570,588)	257,728	9,401,486
Fund Balances (deficit), end of year	\$ (2,075,066)	\$ (46,626)	\$ (2,121,692)	\$ 256,054	\$ 8,842,674

See Independent Auditors' Report.

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, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<u>Agency Funds</u>				
Assets - cash and short-term investments	\$ 851,494	\$ 1,855,504	\$ (1,709,357)	\$ 997,641
Assets - accounts receivables	<u>61,238</u>	<u>932,220</u>	<u>(915,374)</u>	<u>78,084</u>
	<u>\$ 912,732</u>	<u>\$ 2,787,724</u>	<u>\$ (2,624,731)</u>	<u>\$ 1,075,725</u>
Accounts payable	\$ 8,203	\$ 32,306	\$ (8,203)	\$ 32,306
Accrued liabilities	21,417	-	(21,417)	-
Liabilities - other liabilities	<u>883,112</u>	<u>2,755,418</u>	<u>(2,595,111)</u>	<u>1,043,419</u>
Total Liabilities	<u>\$ 912,732</u>	<u>\$ 2,787,724</u>	<u>\$ (2,624,731)</u>	<u>\$ 1,075,725</u>

See Independent Auditors' Report.