

TOWN OF HANOVER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Hanover, New Hampshire

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Governmental-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - Fire Fund	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - Parking Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21

Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION:	
Pension:	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	58
Schedule of Pension Contributions (GASB 68)	59
OPEB:	
Schedule of Proportionate Share of Net OPEB Liability (GASB 75)	60
Schedule of Changes in Total OPEB Liability and Contributions (GASB 75)	61

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen and Town Manager
Town of Hanover, New Hampshire

Additional Offices:
Nashua, NH
Andover, MA
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, New Hampshire, 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. 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 opin-

ion 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, New Hampshire, 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 58 to 61 be presented to supplement the basic financial statements. Such information, although not 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.

Melanson Heath

January 8, 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 of Hanover 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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, highways and streets, sanitation, health and human services and culture and recreation. The business-type activities include water and water reclamation activities.

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

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

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

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

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

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and water reclamation operations, which are considered to be major funds.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$40,606,960 (i.e., net position), a change of \$1,686,089 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,511,631, a change of \$1,260,675 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,682,167, a change of \$(35,123) 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 fiscal year.

	<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	\$ 38,924,707	\$ 34,641,621	\$ 2,733,983	\$ 4,369,339	\$ 41,658,690	\$ 39,010,960
Capital assets	<u>35,423,043</u>	<u>35,264,410</u>	<u>23,956,044</u>	<u>25,296,547</u>	<u>59,379,087</u>	<u>60,560,957</u>
Total assets	74,347,750	69,906,031	26,690,027	29,665,886	101,037,777	99,571,917
Deferred outflows of resources	3,956,490	4,639,816	467,430	634,740	4,423,920	5,274,556
Current liabilities	20,305,542	18,555,887	628,505	2,912,196	20,934,047	21,468,083
Noncurrent liabilities	<u>24,825,516</u>	<u>24,448,407</u>	<u>11,290,127</u>	<u>12,562,306</u>	<u>36,115,643</u>	<u>37,010,713</u>
Total liabilities	45,131,058	43,004,294	11,918,632	15,474,502	57,049,690	58,478,796
Deferred inflows of resources	7,667,742	6,074,363	137,305	127,595	7,805,047	6,201,958
Net position:						
Net investment in capital assets	32,790,872	32,139,806	13,989,601	14,248,022	46,780,473	46,387,828
Restricted	7,777,069	6,700,501	-	-	7,777,069	6,700,501
Unrestricted	<u>(15,062,501)</u>	<u>(13,373,117)</u>	<u>1,111,919</u>	<u>450,507</u>	<u>(13,950,582)</u>	<u>(12,922,610)</u>
Total net position	<u>\$ 25,505,440</u>	<u>\$ 25,467,190</u>	<u>\$ 15,101,520</u>	<u>\$ 14,698,529</u>	<u>\$ 40,606,960</u>	<u>\$ 40,165,719</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$40,606,960, a change of \$1,686,089 from the prior year.

The largest portion of net position, \$46,780,473, 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, \$7,777,069, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(13,950,582), is a deficit, primarily resulting from the Town's unfunded net pension liability.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 4,557,833	\$ 4,843,318	\$ 4,851,176	\$ 4,716,612	\$ 9,409,009	\$ 9,559,930
Operating grants and contributions	222,914	420,346	259,552	405,250	482,466	825,596
Capital grants and contributions	256,117	5,000	-	38,800	256,117	43,800
General revenues:						
Property taxes	12,372,667	12,518,621	-	-	12,372,667	12,518,621
Motor vehicle permit fees	2,103,226	1,504,266	-	-	2,103,226	1,504,266
Penalties and interest on taxes	369,346	277,215	-	-	369,346	277,215
Grants and contributions not restricted to specific programs	884,522	873,024	-	-	884,522	873,024
Investment income	518,904	459,302	8,345	5,962	527,249	465,264
Other	741,857	3,838,251	8,504	13,206	750,361	3,851,457
Total revenues	<u>22,027,386</u>	<u>24,739,343</u>	<u>5,127,577</u>	<u>5,179,830</u>	<u>27,154,963</u>	<u>29,919,173</u>
Expenses:						
General government	5,264,138	4,993,686		-	5,264,138	4,993,686
Public safety	8,879,413	8,093,265		-	8,879,413	8,093,265
Highway and streets	3,469,123	3,411,879		-	3,469,123	3,411,879
Sanitation	517,738	242,370		-	517,738	242,370
Health and human services	382,702	455,506		-	382,702	455,506
Culture and recreation	2,333,141	2,273,442		-	2,333,141	2,273,442
Conservation	23,503	-		-	23,503	-
Interest on long-term debt	151,526	163,431		-	151,526	163,431
Water	-	-	1,556,995	2,136,407	1,556,995	2,136,407
Water reclamation	-	-	2,890,595	3,528,302	2,890,595	3,528,302
Total expenses	<u>21,021,284</u>	<u>19,633,579</u>	<u>4,447,590</u>	<u>5,664,709</u>	<u>25,468,874</u>	<u>25,298,288</u>
Change in net position before transfers	1,006,102	5,105,764	679,987	(484,879)	1,686,089	4,620,885
Transfers in (out)	<u>-</u>	<u>(67,718)</u>	<u>-</u>	<u>67,718</u>	<u>-</u>	<u>-</u>
Change in net position	1,006,102	5,038,046	679,987	(417,161)	1,686,089	4,620,885
Net position - beginning of year, as restated	<u>24,499,338</u>	<u>20,429,144</u>	<u>14,421,533</u>	<u>15,115,690</u>	<u>38,920,871</u>	<u>35,544,834</u>
Net position - end of year	<u>\$ 25,505,440</u>	<u>\$ 25,467,190</u>	<u>\$ 15,101,520</u>	<u>\$ 14,698,529</u>	<u>\$ 40,606,960</u>	<u>\$ 40,165,719</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,006,102. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (39,616)
Other governmental funds operations	1,300,291
Depreciation expense in excess of principal debt service	(2,354,995)
Change in long-term liabilities	304,937
Other	<u>1,795,485</u>
Total	<u>\$ 1,006,102</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$679,987. Key elements of this change are as follows:

Water operations	\$ 714,322
Water reclamation operations	<u>(34,335)</u>
Total	<u>\$ 679,987</u>

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 \$12,511,631, a change of \$1,260,675 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (39,616)
Fire fund operating results	88,216
Parking fund operating results	20,690
Nonmajor fund operating results	<u>1,191,385</u>
Total	<u>\$ 1,260,675</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 \$1,682,167, while total fund balance was \$4,247,530. 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	\$ 1,682,167	\$ 1,717,290	\$ (35,123)	11.9%
Total fund balance	\$ 4,247,530	\$ 4,287,146	\$ (39,616)	30.0%

The total fund balance of the general fund changed by \$(39,616) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (193,265)
Revenues in excess of budget	228,816
Expenditures less than budget	135,952
Tax collections as compared to budget	(36,576)
Change in capital reserves	(95,637)
Other	<u>(78,906)</u>
Total	\$ <u><u>(39,616)</u></u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Capital reserves	\$ <u>1,467,831</u>	\$ <u>1,563,468</u>	\$ <u>(95,637)</u>
Total	\$ <u><u>1,467,831</u></u>	\$ <u><u>1,563,468</u></u>	\$ <u><u>(95,637)</u></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 \$1,111,919.

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

There were no differences between the original budget and the final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$59,379,087 (net of accumulated depre-

ciation). 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:

Governmental Activities:

SHIM Overlay Paving Program	\$ 590,914
Western Star Trucks	\$ 351,692
Gates Road Deeded Property	\$ 219,909

Business-type Activities:

Mack Truck	\$ 47,944
Water Distribution System	\$ 37,566
Pressurized Ultra Filter	\$ 31,000
Tapping Machine & Adapter	\$ 21,741

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$12,814,757, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the 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:

Director of Administrative Services
Town of Hanover
P.O. Box 483
Hanover, New Hampshire 03755
(603) 640-3203

TOWN OF HANOVER, NEW HAMPSHIRE

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	\$ 27,753,140	\$ 812,116	\$ 28,565,256
Investments	5,046,897	-	5,046,897
Restricted cash	1,904,130	-	1,904,130
Receivables, net of allowance for uncollectibles:			
Property taxes	3,435,902	-	3,435,902
User fees	347,967	492,148	840,115
Intergovernmental	-	291,060	291,060
Other assets	348,633	1,138,659	1,487,292
Noncurrent:			
Property taxes	88,038	-	88,038
Capital Assets:			
Land and construction in progress	5,002,573	411,721	5,414,294
Other assets, net of accumulated depreciation	30,420,470	23,544,323	53,964,793
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	3,800,552	449,008	4,249,560
Related to OPEB	155,938	18,422	174,360
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	78,304,240	27,157,457	105,461,697
LIABILITIES			
Current:			
Accounts payable	1,054,641	100,044	1,154,685
Accrued liabilities	403,433	246,349	649,782
Internal balances	1,024,149	(864,320)	159,829
Due to other governments	16,559,478	-	16,559,478
Other liabilities	669,182	-	669,182
Current portion of long-term liabilities:			
Bonds payable	270,000	1,062,692	1,332,692
Other	324,659	83,740	408,399
Noncurrent:			
Bonds payable, net of current portion	2,840,000	8,642,065	11,482,065
Net pension liability	16,369,152	1,933,900	18,303,052
Net OPEB liability	3,177,257	375,370	3,552,627
Other, net of current portion	2,439,107	338,792	2,777,899
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	905,162	106,938	1,012,100
Related to OPEB	164,684	19,457	184,141
Unearned revenues	6,597,896	10,910	6,608,806
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	52,798,800	12,055,937	64,854,737
NET POSITION			
Net investment in capital assets	32,790,872	13,989,601	46,780,473
Restricted for:			
Grants and other statutory restrictions	2,517,519	-	2,517,519
Permanent funds:			
Nonexpendable	5,058,816	-	5,058,816
Expendable	200,734	-	200,734
Unrestricted	(15,062,501)	1,111,919	(13,950,582)
TOTAL NET POSITION	\$ 25,505,440	\$ 15,101,520	\$ 40,606,960

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

TOWN OF HANOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 27,006,792	\$ -	\$ -	\$ 746,348	\$ 27,753,140
Investments	-	-	-	5,046,897	5,046,897
Restricted cash	1,904,130	-	-	-	1,904,130
Receivables:					
Property taxes	3,536,903	-	-	-	3,536,903
User fees	257,585	1,390	-	88,992	347,967
Due from other funds	669,120	461,473	1,084,278	1,075,846	3,290,717
Other assets	212,802	25,679	26,222	1,652	266,355
TOTAL ASSETS	\$ 33,587,332	\$ 488,542	\$ 1,110,500	\$ 6,959,735	\$ 42,146,109
LIABILITIES					
Accounts payable	\$ 845,576	\$ 13,401	\$ 66,208	\$ 129,456	\$ 1,054,641
Accrued liabilities	334,173	-	-	-	334,173
Due to other governments	16,559,478	-	-	-	16,559,478
Tax refunds payable	185,679	-	-	-	185,679
Due to other funds	4,311,290	-	-	3,576	4,314,866
Deposits held in custody	-	-	-	5,204	5,204
Other liabilities	478,299	-	-	-	478,299
TOTAL LIABILITIES	22,714,495	13,401	66,208	138,236	22,932,340
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	6,625,307	25,679	48,307	2,845	6,702,138
FUND BALANCES					
Nonspendable	53,672	-	-	5,058,816	5,112,488
Restricted	-	449,462	995,985	1,272,806	2,718,253
Committed	1,624,681	-	-	487,032	2,111,713
Assigned	887,010	-	-	-	887,010
Unassigned	1,682,167	-	-	-	1,682,167
TOTAL FUND BALANCES	4,247,530	449,462	995,985	6,818,654	12,511,631
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 33,587,332	\$ 488,542	\$ 1,110,500	\$ 6,959,735	\$ 42,146,109

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

TOWN OF HANOVER, NEW HAMPSHIRE

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	\$ 12,511,631
• Investment in Trescott Company is not a financial resource and, therefore, is not reported in the funds.	73,200
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,423,043
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	91,279
• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(25,420,175)
• Other	<u>2,826,462</u>
Net position of governmental activities	<u>\$ 25,505,440</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 9,340,349	\$ 3,118,542	\$ 88,929	\$ -	\$ 12,547,820
Penalties, interest, and other taxes	343,265	26,081	-	-	369,346
Charges for services	1,418,814	141,614	1,690,432	1,286,107	4,536,967
Intergovernmental	917,018	2,028	-	444,507	1,363,553
Licenses and permits	2,124,092	-	-	-	2,124,092
Investment income	225,201	-	-	293,703	518,904
Miscellaneous	51,394	-	-	54,759	106,153
Contributions	26,224	27	750	608,703	635,704
Total Revenues	<u>14,446,357</u>	<u>3,288,292</u>	<u>1,780,111</u>	<u>2,687,779</u>	<u>22,202,539</u>
Expenditures:					
Current:					
General government	5,076,676	-	-	395,718	5,472,394
Public safety	2,665,051	3,214,236	1,631,760	1,005,039	8,516,086
Highway and streets	3,361,471	-	-	-	3,361,471
Sanitation	219,409	-	-	182,844	402,253
Health and human services	382,702	-	-	-	382,702
Culture and recreation	2,217,536	-	-	48,819	2,266,355
Conservation	22,723	-	-	780	23,503
Debt service	193,939	-	323,161	-	517,100
Total Expenditures	<u>14,139,507</u>	<u>3,214,236</u>	<u>1,954,921</u>	<u>1,633,200</u>	<u>20,941,864</u>
Excess (deficiency) of revenues over expenditures	306,850	74,056	(174,810)	1,054,579	1,260,675
Other Financing Sources (Uses):					
Transfers in	322,883	157,250	300,500	211,599	992,232
Transfers out	<u>(669,349)</u>	<u>(143,090)</u>	<u>(105,000)</u>	<u>(74,793)</u>	<u>(992,232)</u>
Total Other Financing Sources (Uses)	<u>(346,466)</u>	<u>14,160</u>	<u>195,500</u>	<u>136,806</u>	<u>-</u>
Change in fund balance	(39,616)	88,216	20,690	1,191,385	1,260,675
Fund Equity, at Beginning of Year	<u>4,287,146</u>	<u>361,246</u>	<u>975,295</u>	<u>5,627,269</u>	<u>11,250,956</u>
Fund Equity, at End of Year	<u>\$ 4,247,530</u>	<u>\$ 449,462</u>	<u>\$ 995,985</u>	<u>\$ 6,818,654</u>	<u>\$ 12,511,631</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

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	\$ 1,260,675																
<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 style="padding-left: 40px;">Capital outlay</td> <td style="text-align: right;">2,773,628</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(2,614,995)</td> </tr> </table> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">368,709</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 (i.e., property taxes, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(175,153)</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 style="padding-left: 40px;">Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(503,307)</td> </tr> <tr> <td style="padding-left: 40px;">Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(75,021)</td> </tr> <tr> <td style="padding-left: 40px;">Other</td> <td style="text-align: right;">(34,009)</td> </tr> </table> Other differences. <table> <tr> <td></td> <td style="text-align: right;"><u>5,575</u></td> </tr> </table> 		Capital outlay	2,773,628	Depreciation	(2,614,995)	Repayments of debt	368,709		(175,153)	Net pension liability and related deferred outflows and inflows of resources	(503,307)	Net OPEB liability and related deferred outflows and inflows of resources	(75,021)	Other	(34,009)		<u>5,575</u>
Capital outlay	2,773,628																
Depreciation	(2,614,995)																
Repayments of debt	368,709																
	(175,153)																
Net pension liability and related deferred outflows and inflows of resources	(503,307)																
Net OPEB liability and related deferred outflows and inflows of resources	(75,021)																
Other	(34,009)																
	<u>5,575</u>																
Change in net position of governmental activities	\$ <u>1,006,102</u>																

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

TOWN OF HANOVER, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 9,376,925	\$ 9,376,925	\$ 9,376,925	\$ -
Penalties, interest, and other taxes	214,011	214,011	343,265	129,254
Charges for services	1,420,965	1,420,965	1,418,814	(2,151)
Intergovernmental	903,434	903,434	917,018	13,584
Licenses and permits	1,984,778	1,984,778	2,124,092	139,314
Investment income	60,000	60,000	203,260	143,260
Miscellaneous	49,304	49,304	51,394	2,090
Contributions	16,500	16,500	26,224	9,724
Transfers in	879,855	879,855	673,596	(206,259)
Use of fund balance	<u>193,265</u>	<u>193,265</u>	<u>193,265</u>	<u>-</u>
Total Revenues and Other Sources	15,099,037	15,099,037	15,327,853	228,816
Expenditures and Other Uses:				
General government	5,193,362	5,193,362	5,281,768	(88,406)
Public safety	2,460,677	2,460,677	2,532,172	(71,495)
Highway and streets	3,483,151	3,483,151	3,414,329	68,822
Sanitation	224,367	224,367	219,409	4,958
Health and human services	431,794	431,794	303,770	128,024
Welfare	92,949	92,949	78,932	14,017
Culture and recreation	2,303,099	2,303,099	2,217,536	85,563
Conservation	20,700	20,700	18,646	2,054
Debt service	193,938	193,938	193,939	(1)
Transfers out	<u>695,000</u>	<u>695,000</u>	<u>702,584</u>	<u>(7,584)</u>
Total Expenditures and Other Uses	<u>15,099,037</u>	<u>15,099,037</u>	<u>14,963,085</u>	<u>135,952</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>364,768</u>	\$ <u>364,768</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

FIRE FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 3,104,869	\$ 3,104,869	\$ 3,104,869	\$ -
Penalties, interest, and other taxes	26,081	26,081	26,081	-
Charges for services	154,812	154,812	141,614	(13,198)
Intergovernmental	-	-	2,028	2,028
Contributions	100	100	27	(73)
Transfers in	157,250	157,250	157,250	-
Total Revenues and Other Sources	<u>3,443,112</u>	<u>3,443,112</u>	<u>3,431,869</u>	<u>(11,243)</u>
Expenditures and Other Uses:				
Public safety	3,300,022	3,300,022	3,179,579	120,443
Transfers out	143,090	143,090	143,090	-
Total Expenditures and Other Uses	<u>3,443,112</u>	<u>3,443,112</u>	<u>3,322,669</u>	<u>120,443</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>109,200</u>	\$ <u>109,200</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

PARKING FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Charges for services	1,782,985	1,782,985	1,690,432	(92,553)
Contributions	-	-	750	750
Transfers in	<u>300,500</u>	<u>300,500</u>	<u>300,500</u>	<u>-</u>
Total Revenues and Other Sources	2,168,485	2,168,485	2,076,682	(91,803)
Expenditures and Other Uses:				
Public safety	1,740,323	1,740,323	1,546,803	193,520
Debt service	323,162	323,162	323,161	1
Transfers out	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,168,485</u>	<u>2,168,485</u>	<u>1,974,964</u>	<u>193,521</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>101,718</u>	\$ <u>101,718</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 173,905	\$ 638,211	\$ 812,116
User fees, net of allowance for uncollectibles	317,486	174,662	492,148
Intergovernmental receivables	-	291,060	291,060
Due from other funds	-	1,693,407	1,693,407
Other assets	789,231	349,428	1,138,659
Total current assets	1,280,622	3,146,768	4,427,390
Noncurrent:			
Capital Assets:			
Land and construction in progress	172,012	239,709	411,721
Other assets, net of accumulated depreciation	9,901,872	13,642,451	23,544,323
Total noncurrent assets	10,073,884	13,882,160	23,956,044
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	180,776	268,232	449,008
Related to OPEB	7,417	11,005	18,422
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	11,542,699	17,308,165	28,850,864
LIABILITIES			
Current:			
Accounts payable	31,172	68,872	100,044
Accrued liabilities	175,758	70,591	246,349
Due to other funds	829,087	-	829,087
Current portion of long-term liabilities:			
Bonds payable	590,360	472,332	1,062,692
Other	76,049	7,691	83,740
Total current liabilities	1,702,426	619,486	2,321,912
Noncurrent:			
Bonds payable, net of current portion	4,056,074	4,585,991	8,642,065
Net pension liability	778,612	1,155,288	1,933,900
Net OPEB obligation	151,129	224,241	375,370
Other, net of current portion	269,572	69,220	338,792
Total noncurrent liabilities	5,255,387	6,034,740	11,290,127
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	43,055	63,883	106,938
Related to OPEB	7,834	11,623	19,457
Other	4,787	6,123	10,910
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,013,489	6,735,855	13,749,344
NET POSITION			
Net investment in capital assets	5,165,764	8,823,837	13,989,601
Unrestricted	(636,554)	1,748,473	1,111,919
TOTAL NET POSITION	\$ 4,529,210	\$ 10,572,310	\$ 15,101,520

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities		
	Enterprise Funds		
	Water	Water	Total
	Fund	Reclamation	
		Fund	
Operating Revenues:			
Charges for services	\$ 2,261,197	\$ 2,589,979	\$ 4,851,176
Other	8,504	-	8,504
Total Operating Revenues	2,269,701	2,589,979	4,859,680
Operating Expenses:			
Operating expenses	999,945	1,596,905	2,596,850
Depreciation	378,669	1,186,749	1,565,418
Total Operating Expenses	1,378,614	2,783,654	4,162,268
Operating Income (Loss)	891,087	(193,675)	697,412
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	259,552	259,552
Investment income	1,616	6,729	8,345
Interest expense	(178,381)	(106,941)	(285,322)
Total Nonoperating Revenues (Expenses), Net	(176,765)	159,340	(17,425)
Change in Net Position	714,322	(34,335)	679,987
Net Position at Beginning of Year, as restated	3,814,888	10,606,645	14,421,533
Net Position at End of Year	\$ 4,529,210	\$ 10,572,310	\$ 15,101,520

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 2,719,936	\$ 2,746,900	\$ 5,466,836
Payments to vendors and employees	<u>(1,211,411)</u>	<u>(1,663,670)</u>	<u>(2,875,081)</u>
Net Cash Provided By (Used For) Operating Activities	1,508,525	1,083,230	2,591,755
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental revenue	-	288,658	288,658
Interfund lending	<u>(529,382)</u>	<u>(502,668)</u>	<u>(1,032,050)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(529,382)	(214,010)	(743,392)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets, net of disposals	(108,170)	(116,745)	(224,915)
Principal payments on bonds	(570,117)	(464,076)	(1,034,193)
Capital lease payments	(69,175)	-	(69,175)
Interest expense	<u>(178,381)</u>	<u>(158,399)</u>	<u>(336,780)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(925,843)	(739,220)	(1,665,063)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>1,616</u>	<u>6,729</u>	<u>8,345</u>
Net Cash Provided By (Used For) Investing Activities	<u>1,616</u>	<u>6,729</u>	<u>8,345</u>
Net Change in Cash and Short-Term Investments	54,916	136,729	191,645
Cash and Short-Term Investments, Beginning of Year	<u>118,989</u>	<u>501,482</u>	<u>620,471</u>
Cash and Short-Term Investments, End of Year	<u>\$ 173,905</u>	<u>\$ 638,211</u>	<u>\$ 812,116</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 891,087	\$ (193,675)	\$ 697,412
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	378,669	1,186,749	1,565,418
Changes in assets and liabilities:			
User fees	450,235	156,921	607,156
Deferred outflows - related to pensions	80,895	104,837	185,732
Deferred outflows - related to OPEB	(583)	(1,261)	(1,844)
Accounts payable	(51,387)	46,071	(5,316)
Accrued liabilities	(21,579)	-	(21,579)
Compensated absences	(23,995)	4,410	(19,585)
Net pension liability	(161,950)	(185,690)	(347,640)
Net OPEB liability	(23,649)	(24,942)	(48,591)
Deferred inflows - related to pensions	(9,546)	(11,111)	(20,657)
Deferred inflows - related to OPEB	<u>328</u>	<u>921</u>	<u>1,249</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,508,525</u>	<u>\$ 1,083,230</u>	<u>\$ 2,591,755</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 193	\$ 1,879,160
Investments	90,260	1,466,171
Due from external parties	<u>-</u>	<u>159,829</u>
Total Assets	90,453	3,505,160
 LIABILITIES AND NET POSITION		
Due to other governments	-	1,939,871
Other liabilities	<u>-</u>	<u>1,565,289</u>
Total Liabilities	<u>-</u>	<u>3,505,160</u>
 NET POSITION		
Total net position held in trust	<u><u>\$ 90,453</u></u>	<u><u>\$ -</u></u>

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

TOWN OF HANOVER, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Miscellaneous revenue	\$ <u>12,311</u>
Total additions	12,311
Deductions:	
Other	<u>3,097</u>
Total deductions	<u>3,097</u>
Net increase (decrease)	9,214
Net position:	
Beginning of year	<u>81,239</u>
End of year	<u><u>\$ 90,453</u></u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hanover, New Hampshire (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 is 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.

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 *Fire Fund* accounts for the activities associated with the Town's fire department operations and is primarily funded through taxation.
- The *Parking Fund* accounts for the activities associated with the Town's parking department operations and is primarily funded through meter and permit fees and parking fines.

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 non-operating revenues and expenses.

The government reports the following major proprietary funds:

- The *Water Fund* accounts for services relating to water activities.
- The *Water Reclamation Fund* accounts for services relating to waste water activities.

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

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue 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 mutual funds. Investments are carried at fair value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

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 two 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
Land and Building improvements	12 - 20
Infrastructure	10 - 50
Vehicles	5
Furniture, fixtures, and equipment	5 - 15
Computer equipment	4 - 20

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

The Town's budget is originally prepared by the Town Manager with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. The Town Manager then presents the proposed budget to the Selectmen and the advisory Finance Committee. After reviewing the budget, the Selectmen hold a series of public hearings for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

Formal budgetary reporting and integration is employed as a management control device during the year for the general fund, fire fund and parking fund.

B. Budgetary Basis – General Fund, Fire Fund and Parking Fund

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, fire fund and parking fund are 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)	\$ 14,446,357	\$ 14,139,507
Other financing sources/uses (GAAP basis)	<u>322,883</u>	<u>669,349</u>
Subtotal (GAAP Basis)	14,769,240	14,808,856
Adjust tax revenue to accrual basis	36,576	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(766,016)
Add end-of-year appropriation carryforwards from expenditures	-	887,010
Recognize use of fund balance as funding source	193,265	-
To eliminate capital reserve activity	328,772	233,135
To record other GAAP timing differences	<u>-</u>	<u>(199,900)</u>
Budgetary basis	<u>\$ 15,327,853</u>	<u>\$ 14,963,085</u>

<u>Fire Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 3,288,292	\$ 3,214,236
Other financing sources/uses (GAAP basis)	<u>157,250</u>	<u>143,090</u>
Subtotal (GAAP Basis)	3,445,542	3,357,326
Reverse beginning of year appropriation carryforwards from expenditures	-	(44,657)
Add end-of-year appropriation carryforwards from expenditures	-	10,000
Other GAAP timing differences	<u>(13,673)</u>	<u>-</u>
Budgetary basis	<u>\$ 3,431,869</u>	<u>\$ 3,322,669</u>
<u>Parking Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 1,780,111	\$ 1,954,921
Other financing sources/uses (GAAP basis)	<u>300,500</u>	<u>105,000</u>
Subtotal (GAAP Basis)	2,080,611	2,059,921
Reverse beginning of year appropriation carryforwards from expenditures	-	(192,460)
Add end-of-year appropriation carryforwards from expenditures	-	107,503
Other GAAP timing differences	<u>(3,929)</u>	<u>-</u>
Budgetary basis	<u>\$ 2,076,682</u>	<u>\$ 1,974,964</u>

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 to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2018, \$15,548 of the Town's balance of \$30,055,951 was exposed to custodial credit risk as uninsured or uncollateralized. This amount represents the cash portion of investment accounts in the custody of the Trustees of Trust Funds.

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. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Amount</u>	Exempt From <u>Disclosure</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>Aa</u>	Not <u>Rated</u>
Corporate equities	\$ 450,508	\$ 450,508	\$ -	\$ -	\$ -
Mutual funds	6,152,820	6,152,820	-	-	-
Total investments	<u>\$ 6,603,328</u>	<u>\$ 6,603,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. Custodial Credit Risk

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

The Town's investments are subject to custodial credit risk exposure 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 and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. treasuries, government agency securities, and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Ishares MSCI EAFE IN ETF EFA	\$ 450,508	7%
Total	\$ <u>450,508</u>	

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the Town has an investment policy, it does not address foreign currency risk.

E. Fair Value

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

The Town has the following fair value measurements as of June 30, 2018:

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	
Investments by fair value level:		
Corporate equities	\$ 450,508	\$ 450,508
Mutual funds	<u>6,152,820</u>	6,152,820
Total	\$ <u>6,603,328</u>	

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of June 30, 2018.

6. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at June 30, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount (accrual basis)</u>
Real estate taxes	\$ 3,432,661	\$ -	\$ 3,432,661
Timber taxes	3,241	-	3,241
Tax liens	<u>101,001</u>	<u>(12,963)</u>	<u>88,038</u>
Total property taxes	\$ <u>3,536,903</u>	\$ <u>(12,963)</u>	3,523,940
Less current portion:			<u>(3,435,902)</u>
Noncurrent taxes receivable			\$ <u>88,038</u>

Taxes Collected for Others

The Town collects property taxes for the State of New Hampshire, the Dresden School District, the Hanover School District, and the County of Grafton. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

7. User Fee Receivables

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

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Governmental Funds:			
General Fund	\$ 257,585	\$ -	\$ 257,585
Fire Fund	1,390	-	1,390
Ambulance	147,760	(58,768)	88,992
Business-Type Funds:			
Water	317,486	-	317,486
Water Reclamation	174,662	-	174,662
Total	\$ <u>898,883</u>	\$ <u>(58,768)</u>	\$ <u>840,115</u>

8. Intergovernmental Receivables

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

9. 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 the June 30, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 669,120	\$ 4,311,290
Fire Fund	461,473	-
Parking Fund	1,084,278	-
Non Major Funds:		
Special Revenue Funds:		
Ambulance	187,436	-
Conservation	5,948	-
DMA	6,860	-
Housing	126,906	-
LGPA	43,749	-
SP	83,544	-
SPRec	34,132	-
Capital Project Funds	587,124	-
Permanent Trust Funds	147	3,576
Subtotal Nonmajor Funds	1,075,846	3,576
Business Type Activities:		
Enterprise Funds		
Water	-	829,087
Water Reclamation	1,693,407	-
Subtotal Enterprise Funds	1,693,407	829,087
Agency Funds	159,829	-
Total	\$ <u>5,143,953</u>	\$ <u>5,143,953</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	\$ 322,883	\$ 669,349
Fire Fund	157,250	143,090
Parking Fund	300,500	105,000
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	-	61,028
Conservation	27,440	-
Permanent Funds:		
Non-expendable	-	13,765
Expendable	24,759	-
Capital Project Funds	159,400	-
Subtotal Nonmajor Funds	<u>211,599</u>	<u>74,793</u>
Grand Total	<u>\$ 992,232</u>	<u>\$ 992,232</u>

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.

10. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,558,982	\$ 533,278	\$ (12,200)	\$ 16,080,060
Machinery, equipment, and furnishings	3,715,183	272,234	(67,994)	3,919,423
Vehicles	6,296,281	527,453	(249,283)	6,574,451
Infrastructure	<u>51,054,282</u>	<u>1,062,589</u>	<u>(61,400)</u>	<u>52,055,471</u>
Total capital assets, being depreciated	76,624,728	2,395,554	(390,877)	78,629,405
Less accumulated depreciation for:				
Buildings and improvements	(6,195,363)	(474,080)	12,200	(6,657,243)
Machinery, equipment, and furnishings	(1,337,536)	(309,844)	67,994	(1,579,386)
Vehicles	(3,895,982)	(432,154)	249,283	(4,078,853)
Infrastructure	<u>(34,555,936)</u>	<u>(1,398,917)</u>	<u>61,400</u>	<u>(35,893,453)</u>
Total accumulated depreciation	<u>(45,984,817)</u>	<u>(2,614,995)</u>	<u>390,877</u>	<u>(48,208,935)</u>
Total capital assets, being depreciated, net	30,639,911	(219,441)	-	30,420,470
Capital assets, not being depreciated:				
Land	4,624,499	243,076	-	4,867,575
Construction in progress	<u>-</u>	<u>134,998</u>	<u>-</u>	<u>134,998</u>
Total capital assets, not being depreciated	<u>4,624,499</u>	<u>378,074</u>	<u>-</u>	<u>5,002,573</u>
Governmental activities capital assets, net	<u>\$ 35,264,410</u>	<u>\$ 158,633</u>	<u>\$ -</u>	<u>\$ 35,423,043</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,364,459	\$ -	\$ -	\$ 13,364,459
Machinery, equipment, and furnishings	11,991,430	112,166	(15,000)	12,088,596
Vehicles	515,614	47,944	(84,255)	479,303
Infrastructure	<u>12,619,295</u>	<u>58,666</u>	<u>-</u>	<u>12,677,961</u>
Total capital assets, being depreciated	38,490,798	218,776	(99,255)	38,610,319
Less accumulated depreciation for:				
Buildings and improvements	(5,237,336)	(505,931)	-	(5,743,267)
Machinery, equipment, and furnishings	(3,658,271)	(753,207)	-	(4,411,478)
Vehicles	(241,824)	(41,171)	84,255	(198,740)
Infrastructure	<u>(4,447,402)</u>	<u>(265,109)</u>	<u>-</u>	<u>(4,712,511)</u>
Total accumulated depreciation	<u>(13,584,833)</u>	<u>(1,565,418)</u>	<u>84,255</u>	<u>(15,065,996)</u>
Total capital assets, being depreciated, net	24,905,965	(1,346,642)	(15,000)	23,544,323
Capital assets, not being depreciated:				
Land	390,582	-	-	390,582
Construction in progress	<u>-</u>	<u>21,139</u>	<u>-</u>	<u>21,139</u>
Total capital assets, not being depreciated	<u>390,582</u>	<u>21,139</u>	<u>-</u>	<u>411,721</u>
Business-type activities capital assets, net	<u>\$ 25,296,547</u>	<u>\$ (1,325,503)</u>	<u>\$ (15,000)</u>	<u>\$ 23,956,044</u>

Depreciation expense was charged to functions of the Town of Hanover, New Hampshire as follows:

Governmental Activities:	
General government	\$ 110,136
Public safety	697,773
Highway and streets	1,719,854
Culture and recreation	<u>87,232</u>
Total depreciation expense - governmental activities	<u>\$ 2,614,995</u>
Business-Type Activities:	
Water	\$ 378,669
Water reclamation	<u>1,186,749</u>
Total depreciation expense - business-type activities	<u>\$ 1,565,418</u>

11. 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.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent 2018 expenditures paid in 2019.

13. 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 Board of Tax and Land Appeals.

14. Due to Other Governments

This balance represents property taxes due to the Dresden School District, County of Grafton and funds held by the Trustees of Trust Funds for the Hanover School District.

15. Notes Payable

The Town issued a note with the Dresden Regional School District as part of an option to have the first right of refusal over the Hanover High School Property. 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>
Dresden Hanover High Property Option	0.00%	04/16/04	08/10/23	\$ <u>600,000</u>
Total				\$ <u>600,000</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>
Dresden Hanover High Property Option	\$ <u>700,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>600,000</u>
Total	\$ <u>700,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>600,000</u>

16. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2022. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2018:

	Governmental	
<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2019	\$ 9,722	\$ 8,641
2020	<u>-</u>	<u>7,633</u>
Total payments	9,722	16,274
Less amounts representing interest	<u>519</u>	<u>-</u>
Present Value of Minimum Lease Payments	\$ <u>9,203</u>	\$ <u>16,274</u>

Business-Type	Capital Leases
<u>Fiscal Year</u>	
2019	\$ 78,639
2020	78,609
2021	78,609
2022	<u>78,582</u>
Total payments	314,439
Less amounts representing interest	<u>19,352</u>
Present Value of Minimum Lease Payments	<u>\$ 295,087</u>

17. 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 currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/18</u>
1999 Parking Facility	01/15/29	4.00-4.90%	\$ 2,735,000
2003 Community Center	01/15/23	4.25-4.90%	<u>375,000</u>
Total Governmental Activities			<u>\$ 3,110,000</u>

<u>Business-Type Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/18</u>
2008 SRF Loan - Sewer	12/01/27	3.49%	\$ 1,481,975
SRF Loan - Water	02/01/22	2.22%	1,095,166
SRF Loan - Water	10/01/27	3.35%	3,551,268
SRF Loan - Water Pollution	08/01/26	2.91%	579,466
SRF Loan - Water Pollution	07/01/27	2.55%	<u>2,996,882</u>
Total Business-Type Activities			<u>\$ 9,704,757</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	\$ 270,000	\$ 151,112	\$ 421,112
2020	280,000	138,302	418,302
2021	290,000	124,938	414,938
2022	300,000	111,017	411,017
2023	310,000	96,411	406,411
2024 - 2028	1,350,000	280,708	1,630,708
2029	<u>310,000</u>	<u>15,190</u>	<u>325,190</u>
Total	\$ <u>3,110,000</u>	\$ <u>917,678</u>	\$ <u>4,027,678</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2018:

General fund	\$ 375,000
Special revenue fund	<u>2,735,000</u>
Total	\$ <u>3,110,000</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,062,692	\$ 315,261	\$ 1,377,953
2020	1,092,128	280,653	1,372,781
2021	1,122,533	258,963	1,381,496
2022	1,137,817	197,347	1,335,164
2023	881,677	170,891	1,052,568
2024 - 2028	<u>4,407,910</u>	<u>434,239</u>	<u>4,842,149</u>
Total	\$ <u>9,704,757</u>	\$ <u>1,657,354</u>	\$ <u>11,362,111</u>

C. Changes in General Long-Term Liabilities

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

	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	\$ 3,370,000	\$ -	\$ (260,000)	\$ 3,110,000	\$ (270,000)	\$ 2,840,000
Net pension liability	16,677,575	-	(308,423)	16,369,152	-	16,369,152
Net OPEB liability	3,099,069	78,188	-	3,177,257	-	3,177,257
Other:						
Notes payable	700,000	-	(100,000)	600,000	(100,000)	500,000
Compensated absences	2,120,555	34,008	-	2,154,563	(215,456)	1,939,107
Capital lease payable	17,912	-	(8,709)	9,203	(9,203)	-
Subtotal - other	<u>2,838,467</u>	<u>34,008</u>	<u>(108,709)</u>	<u>2,763,766</u>	<u>(324,659)</u>	<u>2,439,107</u>
Totals	<u>\$ 25,985,111</u>	<u>\$ 112,196</u>	<u>\$ (677,132)</u>	<u>\$ 25,420,175</u>	<u>\$ (594,659)</u>	<u>\$ 24,825,516</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 10,738,950	\$ -	\$ (1,034,193)	\$ 9,704,757	\$ (1,062,692)	\$ 8,642,065
Net pension liability	2,281,540	-	(347,640)	1,933,900	-	1,933,900
Net OPEB liability	423,961	-	(48,591)	375,370	-	375,370
Other:						
Compensated absences	147,030	-	(19,585)	127,445	(12,744)	114,701
Capital lease payable	364,262	-	(69,175)	295,087	(70,996)	224,091
Subtotal - other	<u>511,292</u>	<u>-</u>	<u>(88,760)</u>	<u>422,532</u>	<u>(83,740)</u>	<u>338,792</u>
Totals	<u>\$ 13,955,743</u>	<u>\$ -</u>	<u>\$ (1,519,184)</u>	<u>\$ 12,436,559</u>	<u>\$ (1,146,432)</u>	<u>\$ 11,290,127</u>

18. 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.

19. 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 has 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, capital reserve funds set aside by Town Meeting vote (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, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Fire Fund	Parking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenditures	\$ 53,672	\$ -	\$ -	\$ -	\$ 53,672
Nonexpendable permanent funds	-	-	-	5,058,816	5,058,816
Total Nonexpendable	53,672	-	-	5,058,816	5,112,488
Restricted					
Special revenue funds	-	449,462	995,985	1,072,072	2,517,519
Expendable permanent funds	-	-	-	200,734	200,734
Total Restricted	-	449,462	995,985	1,272,806	2,718,253
Committed					
Capital reserve funds	1,467,831	-	-	-	1,467,831
Capital project funds	-	-	-	487,032	487,032
Reserved for expenditures	156,850	-	-	-	156,850
Total Committed	1,624,681	-	-	487,032	2,111,713
Assigned					
Encumbrances	887,010	-	-	-	887,010
Total Assigned	887,010	-	-	-	887,010
Unassigned					
General fund	1,682,167	-	-	-	1,682,167
Total Unassigned	1,682,167	-	-	-	1,682,167
Total Fund Balance	\$ 4,247,530	\$ 449,462	\$ 995,985	\$ 6,818,654	\$ 12,511,631

20. 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 respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis	\$ 1,682,167
Unavailable revenue	57,385
Reserve for special purposes	(126,593)
Reserve for prepaids	53,672
Other	216,967
Tax Rate Setting balance	\$ <u>1,883,598</u>

21. 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 State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

<u>Years of creditable service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	12	2.2%
Less than 4 years	49	24	2.1%

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town's contribution to the System for the year ended June 30, 2018 was \$1,566,018, which was equal to its annual required contribution.

D. 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 NHRS and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. 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.

E. 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 \$18,303,052 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 June 30, 2018, the Town's proportion was .37216508 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$1,887,672. 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	\$ 41,501	\$ 232,945
Changes of assumptions	1,837,868	-
Net difference between projected and actual earnings on pension plan investments		233,099
Changes in proportion and differences between contributions and proportionate share of contributions	804,173	546,056
Contributions subsequent to the measurement date	<u>1,566,018</u>	<u>-</u>
Total	<u>\$ 4,249,560</u>	<u>\$ 1,012,100</u>

The \$1,566,018 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2019. Other 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	\$ 283,063
2020	785,749
2021	760,490
2022	<u>(157,860)</u>
Total	<u>\$ 1,671,442</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
Real estate	10.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 rates equal to the dif-

ference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. 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 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.

H. 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 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 24,113,352	\$ 18,303,052	\$ 13,541,741

I. Pension Plan Fiduciary Net Position

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

22. 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.

A. Town OPEB Plan

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

General Information about the OPEB Plan

Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

The Town's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	13
Active employees	<u>141</u>
Total	<u><u>154</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Investment rate of return	7.5 percent, net of investment expenses, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	8 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 5 percent for 2023 and later years.
Pre-Retirement Mortality - General and Public Safety employees:	RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.
Post-Retirement Mortality - General and Public Safety employees:	RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.
Retirees' share of benefit-related costs	100 percent

The discount rate was based on the long-term municipal bond rate at June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. 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.

Total OPEB Liability

The Town's total OPEB liability of \$2,488,933 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2017	\$ 2,456,036
Changes for the year:	
Service cost	104,375
Interest	89,997
Changes in assumptions or other inputs	(68,394)
Benefit payments	(93,081)
Net Changes	<u>32,897</u>
Balances at June 30, 2018	<u>\$ 2,488,933</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2017 to 3.87 percent in 2018. All other assumptions were the same as those used in the previous measurement.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total 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>
\$ 2,734,553	\$ 2,488,933	\$ 2,269,720

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total 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>
\$ 2,204,564	\$ 2,488,933	\$ 2,823,026

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 \$155,459. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ <u>180,784</u>
Total	\$ <u><u>180,784</u></u>

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

<u>Year Ended June 30:</u>	
2019	\$ (38,913)
2020	(38,913)
2021	(38,913)
2022	(38,913)
2023	(21,160)
Thereafter	<u>(3,972)</u>
Total	\$ <u><u>(180,784)</u></u>

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed above, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

- 1 Person - \$375.56
- 2 Person - \$751.12
- 1 Person Medicare Supplement - \$236.84
- 2 person Medicare Supplement - \$473.68

Actuarial Assumptions and Other Inputs

The Town’s proportionate share of the NHRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of June 30, 2016 (rolled forward to June 30, 2017) using a measurement date of June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	5.60%
Investment rate of return	7.25%
Discount rate	7.25%

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town’s proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2017 was \$1,063,694.

For the year ended June 30, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$120,147. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 156,566	\$ -
Changes in proportion	17,794	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>3,357</u>
Total	<u>\$ 174,360</u>	<u>\$ 3,357</u>

The \$156,566 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 ending June 30, 2019.

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

<u>Year Ended June 30:</u>	
2019	\$ 16,955
2020	(839)
2021	(839)
2021	<u>(840)</u>
Total	\$ <u>14,437</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the total 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>
\$ 1,157,616	\$ 1,063,694	\$ 982,318

C. Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2018:

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Town OPEB Plan	\$ 2,488,933	\$ -	\$ 180,784
Proportionate share of NHRS Medical Subsidy Plan	<u>1,063,694</u>	<u>174,360</u>	<u>3,357</u>
Total	\$ <u>3,552,627</u>	\$ <u>174,360</u>	\$ <u>184,141</u>

23. 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.

24. Beginning Net Position Restatement

The beginning (July 1, 2017) net position of the Town has been restated in order to implement GASB 75.

Government-Wide Financial Statements:

	<u>Governmental</u>	<u>Business-Type</u>
As previously reported	\$ 25,467,190	\$ 14,698,529
Implementation of GASB 75 OPEB	<u>(967,852)</u>	<u>(276,996)</u>
As restated	<u>\$ 24,499,338</u>	<u>\$ 14,421,533</u>

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

**JUNE 30, 2018
(Unaudited)**

New Hampshire 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	June 30, 2017	0.37216508%	\$ 18,303,052	\$8,722,964	209.83%	62.66%
June 30, 2017	June 30, 2016	0.34634484%	\$ 18,959,115	\$8,160,486	232.33%	58.30%
June 30, 2016	June 30, 2015	0.34634484%	\$ 13,720,546	\$7,849,449	174.80%	65.47%
June 30, 2015	June 30, 2014	0.36323047%	\$ 13,634,167	\$7,807,102	174.64%	66.32%

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, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 1,566,018	\$ 1,566,018	\$ -	\$ 9,382,153	16.69%
June 30, 2017	June 30, 2016	\$ 1,362,491	\$ 1,362,491	\$ -	\$ 8,722,964	15.62%
June 30, 2016	June 30, 2015	\$ 1,271,788	\$ 1,271,788	\$ -	\$ 8,160,486	15.58%
June 30, 2015	June 30, 2014	\$ 1,163,415	\$ 1,163,415	\$ -	\$ 7,849,449	14.82%

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, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY (GASB 75)
JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2018	June 30, 2017	0.23263676%	\$1,063,694	\$8,722,964	12.19%	7.91%
June 30, 2017	June 30, 2016	0.22040539%	\$1,066,994	\$8,160,486	13.08%	5.21%

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, NEW HAMPSHIRE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Changes in the Total OPEB Liability and Contributions (GASB 75)

(Unaudited)

Hanover OPEB Plan *

Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 104,375
Interest on unfunded liability - time value of money	89,997
Changes of assumptions	(68,394)
Benefit payments, including refunds of member contributions	<u>(93,081)</u>
Net change in total OPEB liability	32,897
Total OPEB liability - beginning	<u>2,456,036</u>
Total OPEB liability - ending (a)	<u>\$ 2,488,933</u>
 Covered employee payroll	 \$ 9,164,583
 Total OPEB liability as a percentage of covered employee payroll	 27.16%

Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions

	<u>2018</u>
Actuarially determined contribution	\$ 242,999
Contributions in relation to the actuarially determined contribution	<u>242,999</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered employee payroll	 \$ 9,164,583
 Contributions as a percentage of covered employee payroll	 2.65%

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

* Does not include New Hampshire Retirement System Medical Subsidy.

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