



TOWN OF HANOVER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2019

Town of Hanover, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Selectboard 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, 2019, 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 opinion on the effectiveness of the

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, New Hampshire, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the major governmental funds 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 certain Pension and OPEB schedules 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

March 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hanover (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town of Hanover for the fiscal year ended June 30, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, 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, fire, and parking funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water 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 \$42,684,385 (i.e., net position), a change of \$2,077,425 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,090,438, a change of \$2,578,807 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,094,049, a change of \$1,411,882 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 40,932,834	\$ 38,924,707	\$ 3,643,948	\$ 2,733,983	\$ 44,576,782	\$ 41,658,690
Capital assets	<u>34,550,610</u>	<u>35,423,043</u>	<u>23,000,668</u>	<u>23,956,044</u>	<u>57,551,278</u>	<u>59,379,087</u>
Total assets	75,483,444	74,347,750	26,644,616	26,690,027	102,128,060	101,037,777
Deferred outflows of resources	3,565,951	3,956,490	415,770	467,430	3,981,721	4,423,920
Current liabilities	20,150,145	20,305,542	1,176,784	628,505	21,326,929	20,934,047
Noncurrent liabilities	<u>25,124,285</u>	<u>24,825,516</u>	<u>10,148,899</u>	<u>11,290,127</u>	<u>35,273,184</u>	<u>36,115,643</u>
Total liabilities	45,274,430	45,131,058	11,325,683	11,918,632	56,600,113	57,049,690
Deferred inflows of resources	6,577,898	7,667,742	133,782	137,305	6,711,680	7,805,047
Net investment in capital assets	32,126,104	32,790,872	14,134,365	13,989,601	46,260,469	46,780,473
Restricted	8,295,410	7,777,069	-	-	8,295,410	7,777,069
Unrestricted	<u>(13,338,050)</u>	<u>(15,062,501)</u>	<u>1,466,556</u>	<u>1,111,919</u>	<u>(11,871,494)</u>	<u>(13,950,582)</u>
Total net position	<u>\$ 27,083,464</u>	<u>\$ 25,505,440</u>	<u>\$ 15,600,921</u>	<u>\$ 15,101,520</u>	<u>\$ 42,684,385</u>	<u>\$ 40,606,960</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 \$42,684,385, a change of \$2,077,425 in comparison to the prior year.

The largest portion of net position, \$46,260,469, 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, \$8,295,410, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$11,871,494, primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,495,915	\$ 4,557,833	\$ 5,091,495	\$ 4,851,176	\$ 9,587,410	\$ 9,409,009
Operating grants and contributions	337,887	222,914	149,520	259,552	487,407	482,466
Capital grants and contributions	86,271	256,117	-	-	86,271	256,117
General revenues:						
Property taxes	13,146,848	12,372,667	-	-	13,146,848	12,372,667
Motor vehicle permit fees	3,201,932	2,103,226	-	-	3,201,932	2,103,226
Penalties and interest on taxes	233,163	369,346	-	-	233,163	369,346
Grants and contributions not restricted to specific programs	877,030	884,522	-	-	877,030	884,522
Investment income	838,811	518,904	18,436	8,345	857,247	527,249
Other	699,552	741,857	25,539	8,504	725,091	750,361
Total revenues	<u>23,917,409</u>	<u>22,027,386</u>	<u>5,284,990</u>	<u>5,127,577</u>	<u>29,202,399</u>	<u>27,154,963</u>
Expenses:						
General government	6,101,546	5,264,138	-	-	6,101,546	5,264,138
Public safety	8,843,784	8,879,413	-	-	8,843,784	8,879,413
Highway and streets	3,896,351	3,469,123	-	-	3,896,351	3,469,123
Sanitation	444,791	517,738	-	-	444,791	517,738
Health and human services	402,714	382,702	-	-	402,714	382,702
Culture and recreation	2,478,012	2,333,141	-	-	2,478,012	2,333,141
Conservation	48,834	23,503	-	-	48,834	23,503
Interest on long-term debt	150,853	151,526	-	-	150,853	151,526
Water	-	-	1,621,263	1,556,995	1,621,263	1,556,995
Water reclamation	-	-	3,136,826	2,890,595	3,136,826	2,890,595
Total expenses	<u>22,366,885</u>	<u>21,021,284</u>	<u>4,758,089</u>	<u>4,447,590</u>	<u>27,124,974</u>	<u>25,468,874</u>
Change in net position before transfers	1,550,524	1,006,102	526,901	679,987	2,077,425	1,686,089
Transfers in (out)	<u>27,500</u>	<u>-</u>	<u>(27,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	1,578,024	1,006,102	499,401	679,987	2,077,425	1,686,089
Net position - beginning of year	<u>25,505,440</u>	<u>24,499,338</u>	<u>15,101,520</u>	<u>14,421,533</u>	<u>40,606,960</u>	<u>38,920,871</u>
Net position - end of year	<u>\$ 27,083,464</u>	<u>\$ 25,505,440</u>	<u>\$ 15,600,921</u>	<u>\$ 15,101,520</u>	<u>\$ 42,684,385</u>	<u>\$ 40,606,960</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,578,024. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,764,004
Other governmental funds operations	814,803
Depreciation expense in excess of principal debt service	(2,391,648)
Change in long-term liabilities, net of deferred outflows and inflows	(654,444)
Capital asset acquired with current year revenues	1,789,215
Other	<u>256,094</u>
Total	<u>\$ 1,578,024</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$499,401. Key elements of this change are as follows:

Water operations	\$ 752,661
Water reclamation operations	<u>(253,260)</u>
Total	<u>\$ 499,401</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 \$15,090,438, a change of \$2,578,807 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 1,764,004
Fire fund operating results	183,282
Parking fund operating results	(26,494)
Nonmajor fund operating results	<u>658,015</u>
Total	<u>\$ 2,578,807</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 \$3,094,049, while total fund balance was \$6,011,534. 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 3,094,049	\$ 1,682,167	\$ 1,411,882	21.9%
Total fund balance	\$ 6,011,534	\$ 4,247,530	\$ 1,764,004	42.6%

The total fund balance of the general fund changed by \$1,764,004 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (156,850)
Revenues in excess of budget	1,449,047
Expenditures less than budget	273,978
Tax collections as compared to budget	(36,576)
Expenditures of current year encumbrance over prior year encumbrance	145,751
Change in capital reserves	109,516
Other	<u>(20,862)</u>
Total	\$ <u>1,764,004</u>

Included in the total general fund balance are the Town's capital reserve account(s) with the following balance(s):

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
Capital reserves	\$ <u>1,577,347</u>	\$ <u>1,467,831</u>	\$ <u>109,516</u>
Total	\$ <u>1,577,347</u>	\$ <u>1,467,831</u>	\$ <u>109,516</u>

Individual year end account(s) include the following balance(s):

Ambulance Equipment	\$	228,071
Bridge Replacement and Renovation		122,194
Building Maintenance and Improvement		175,707
Dispatch Equipment and Center Renovation		70,327
Fire Department Vehicle and Equipment		184,211
Highway Construction and Maintenance		283,007
Parking Vehicles and Equipment		214,323
Police Vehicles and Equipment		165,035
Property Renovation		16,811
Road Construction and Improvements		114,037
Transportation Improvement Fund		<u>3,624</u>
Total	\$	<u>1,577,347</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 \$1,466,556, a change of \$354,637 in comparison to the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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 \$57,551,278 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Governmental Activities:

FY19 Shim Overlay / Paving	\$	593,571
Police Simulcast Radio	\$	269,230
2019 Ford Lifeline Rescue	\$	260,224
Mitsubishi Heat-A/C System	\$	137,012
FY19 Traffic Signal/Safety	\$	130,799
FY19 Police Station Improvements	\$	125,121

Business-type Activities:

FY19 Sewer Line Slipline	\$	169,194
FY19 Water Distribution System	\$	120,424
WRF Solar Array CIP	\$	125,999

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 \$11,482,065, 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, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 27,071,250	\$ 1,178,398	\$ 28,249,648
Investments	5,404,035	-	5,404,035
Restricted cash	3,084,237	-	3,084,237
Receivables, net of allowance for uncollectibles:			
Property taxes	4,024,906	-	4,024,906
User fees	263,870	1,066,423	1,330,293
Intergovernmental	-	261,954	261,954
Other assets	909,101	1,137,173	2,046,274
Noncurrent:			
Property taxes	175,435	-	175,435
Capital assets:			
Land and construction in progress	4,696,194	516,581	5,212,775
Other assets, net of accumulated depreciation	29,854,416	22,484,087	52,338,503
Deferred Outflows of Resources			
Related to pensions	3,130,793	365,034	3,495,827
Related to OPEB	435,158	50,736	485,894
Total Assets and Deferred Outflows of Resources	79,049,395	27,060,386	106,109,781
Liabilities			
Current:			
Accounts payable	1,008,941	197,525	1,206,466
Accrued liabilities	411,108	238,683	649,791
Internal balances	436,982	(436,982)	-
Due to external parties	113,603	-	113,603
Due to other governments	16,892,203	-	16,892,203
Other liabilities	669,586	-	669,586
Current portion of long-term liabilities:			
Bonds payable	280,000	1,092,128	1,372,128
Other	451,325	85,430	536,755
Noncurrent:			
Bonds payable, net of current portion	2,560,000	7,549,937	10,109,937
Net pension liability	16,022,231	1,868,109	17,890,340
Net OPEB liability	3,791,357	442,051	4,233,408
Other, net of current portion	2,750,697	288,802	3,039,499
Deferred Inflows of Resources			
Related to pensions	763,526	89,024	852,550
Related to OPEB	303,047	35,334	338,381
Unearned revenues	5,511,325	9,424	5,520,749
Total Liabilities and Deferred Inflows of Resources	51,965,931	11,459,465	63,425,396
Net Position			
Net investment in capital assets	32,126,104	14,134,365	46,260,469
Restricted for:			
Grants and other statutory restrictions	2,762,787	-	2,762,787
Permanent funds:			
Nonexpendable	5,279,531	-	5,279,531
Expendable	253,092	-	253,092
Unrestricted	(13,338,050)	1,466,556	(11,871,494)
Total Net Position	\$ 27,083,464	\$ 15,600,921	\$ 42,684,385

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

TOWN OF HANOVER, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General government	\$ 6,101,546	\$ 134,225	\$ 196,390	\$ -	\$ (5,770,931)	\$ -	\$ (5,770,931)
Public safety	8,843,784	3,512,969	15,433	-	(5,315,382)	-	(5,315,382)
Highway and streets	3,896,351	10,919	106,582	86,271	(3,692,579)	-	(3,692,579)
Sanitation	444,791	5,232	-	-	(439,559)	-	(439,559)
Health and human services	402,714	2,947	3,582	-	(396,185)	-	(396,185)
Culture and recreation	2,478,012	827,333	15,900	-	(1,634,779)	-	(1,634,779)
Conservation	48,834	2,290	-	-	(46,544)	-	(46,544)
Interest	150,853	-	-	-	(150,853)	-	(150,853)
Total Governmental Activities	22,366,885	4,495,915	337,887	86,271	(17,446,812)	-	(17,446,812)
Business-Type Activities							
Water operations	1,621,263	2,371,918	-	-	-	750,655	750,655
Water reclamation operations	3,136,826	2,719,577	149,520	-	-	(267,729)	(267,729)
Total Business-Type Activities	4,758,089	5,091,495	149,520	-	-	482,926	482,926
Total	\$ 27,124,974	\$ 9,587,410	\$ 487,407	\$ 86,271	(17,446,812)	482,926	(16,963,886)
General Revenues and Transfers							
Property taxes					13,146,848	-	13,146,848
Motor vehicle permit fees					3,201,932	-	3,201,932
Penalties, interest, and other taxes					233,163	-	233,163
Grants and contributions not restricted to specific programs					877,030	-	877,030
Investment income					838,811	18,436	857,247
Miscellaneous					699,552	25,539	725,091
Transfers, net					27,500	(27,500)	-
Total general revenues					19,024,836	16,475	19,041,311
Change in Net Position					1,578,024	499,401	2,077,425
Net Position							
Beginning of year					25,505,440	15,101,520	40,606,960
End of year					\$ 27,083,464	\$ 15,600,921	\$ 42,684,385

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

TOWN OF HANOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<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	\$ 26,305,301	\$ -	\$ -	\$ 765,949	\$ 27,071,250
Investments	-	-	-	5,404,035	5,404,035
Restricted cash	3,084,237	-	-	-	3,084,237
Receivables:					
Property taxes	4,219,834	-	-	-	4,219,834
User fees	187,872	3,350	-	72,648	263,870
Due from other funds	572,848	643,809	1,034,164	1,475,696	3,726,517
Other assets	160,074	23,622	24,569	558	208,823
Total Assets	\$ 34,530,166	\$ 670,781	\$ 1,058,733	\$ 7,718,886	\$ 43,978,566
Liabilities					
Accounts payable	\$ 852,100	\$ 14,415	\$ 43,226	\$ 99,200	\$ 1,008,941
Accrued liabilities	334,043	-	-	-	334,043
Tax refunds payable	185,679	-	-	-	185,679
Due to other governments	16,892,203	-	-	-	16,892,203
Due to other funds	4,140,515	-	-	136,587	4,277,102
Deposits held in custody	-	-	-	5,451	5,451
Other liabilities	478,456	-	-	-	478,456
Total Liabilities	22,882,996	14,415	43,226	241,238	23,181,875
Deferred Inflows of Resources					
Unavailable revenues	5,635,636	23,622	46,016.00	979	5,706,253
Fund Balances					
Nonspendable	26,121	-	-	5,279,531	5,305,652
Restricted	-	632,744	969,491	1,413,644	3,015,879
Committed	1,858,603	-	-	783,494	2,642,097
Assigned	1,032,761	-	-	-	1,032,761
Unassigned	3,094,049	-	-	-	3,094,049
Total Fund Balances	6,011,534	632,744	969,491	7,476,669	15,090,438
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 34,530,166	\$ 670,781	\$ 1,058,733	\$ 7,718,886	\$ 43,978,566

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, 2019

Total governmental fund balances	\$	15,090,438
Investment in Trescott Company is not a financial resource and, therefore, is not reported in the governmental funds.		73,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		34,550,610
Revenues are reported on the accrual basis of accounting and are not deferred until collection.		175,435
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.		(25,855,610)
Net deferred outflows and inflows of resources related to net pension liability		2,367,267
Net deferred outflows and inflows of resources related to OPEB liability		132,111
Other		<u>550,013</u>
Net position of governmental activities	\$	<u><u>27,083,464</u></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, 2019

	<u>General</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 9,721,831	\$ 3,255,466	\$ 85,395	\$ -	\$ 13,062,692
Penalties, interest, and other taxes	206,417	26,746	-	-	233,163
Charges for services	1,437,214	166,729	1,654,443	1,214,700	4,473,086
Intergovernmental	1,014,685	3,842	-	282,661	1,301,188
Licenses and permits	3,224,761	-	-	-	3,224,761
Investment income	412,608	-	-	426,203	838,811
Miscellaneous	160,885	-	-	591,934	752,819
Contributions	<u>10,051</u>	<u>1,294</u>	<u>1,805</u>	<u>183,583</u>	<u>196,733</u>
Total Revenues	16,188,452	3,454,077	1,741,643	2,699,081	24,083,253
Expenditures					
Current:					
General government	5,345,084	-	-	648,365	5,993,449
Public safety	2,613,138	3,328,951	1,558,763	1,312,027	8,812,879
Highway and streets	2,954,053	-	-	68,271	3,022,324
Sanitation	229,488	-	-	88,071	317,559
Health and human services	402,714	-	-	-	402,714
Culture and recreation	2,322,384	-	-	58,409	2,380,793
Conservation	23,687	-	-	25,147	48,834
Debt service	188,674	-	324,374	-	513,048
Capital outlay	<u>40,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,346</u>
Total Expenditures	<u>14,119,568</u>	<u>3,328,951</u>	<u>1,883,137</u>	<u>2,200,290</u>	<u>21,531,946</u>
Excess (deficiency) of revenues over expenditures	2,068,884	125,126	(141,494)	498,791	2,551,307
Other Financing Sources (Uses)					
Transfers in	549,701	248,943	220,000	182,722	1,201,366
Transfers out	<u>(854,581)</u>	<u>(190,787)</u>	<u>(105,000)</u>	<u>(23,498)</u>	<u>(1,173,866)</u>
Total Other Financing Sources (Uses)	<u>(304,880)</u>	<u>58,156</u>	<u>115,000</u>	<u>159,224</u>	<u>27,500</u>
Change in fund balance	1,764,004	183,282	(26,494)	658,015	2,578,807
Fund Equity, at Beginning 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>
Fund Equity, at End of Year	<u>\$ 6,011,534</u>	<u>\$ 632,744</u>	<u>\$ 969,491</u>	<u>\$ 7,476,669</u>	<u>\$ 15,090,438</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, 2019

Net changes in fund balances - total governmental funds \$ 2,578,807

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:

Capital outlay	1,789,215
Depreciation	(2,661,648)

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:

Repayments of debt	629,203
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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.	90,686
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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:

Net pension liability and related deferred outflows and inflows of resources	(181,202)
Net OPEB liability and related deferred outflows and inflows of resources	(473,242)
Other	(179,459)

Other differences.	<u>(14,336)</u>
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Change in net position of governmental activities \$ 1,578,024

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 9,779,269	\$ 9,779,269	\$ 9,779,269	\$ -
Penalties, interest, and other taxes	221,097	221,097	206,417	(14,680)
Charges for services	1,519,570	1,519,570	1,437,214	(82,356)
Intergovernmental	900,197	900,197	1,014,685	114,488
Licenses and permits	2,046,878	2,046,878	3,224,761	1,177,883
Investment income	140,000	140,000	369,295	229,295
Miscellaneous	38,750	38,750	160,885	122,135
Contributions	-	-	10,051	10,051
	14,645,761	14,645,761	16,202,577	1,556,816
Total Revenues				
Expenditures				
General government	5,536,882	5,536,882	5,304,339	232,543
Public safety	2,489,086	2,489,086	2,447,433	41,653
Highway and streets	3,222,018	3,222,018	3,291,296	(69,278)
Sanitation	233,083	233,083	229,488	3,595
Health and human services	306,794	306,794	321,310	(14,516)
Welfare	93,680	93,680	81,404	12,276
Culture and recreation	2,529,494	2,529,494	2,337,662	191,832
Conservation	20,500	20,500	23,367	(2,867)
Debt service	188,674	188,674	188,674	-
Capital outlay	40,500	40,500	40,346	154
	14,660,711	14,660,711	14,265,319	395,392
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(14,950)	(14,950)	1,937,258	1,952,208
Other Financing Sources/Uses				
Transfers in	606,100	606,100	498,331	(107,769)
Transfers out	(748,000)	(748,000)	(869,414)	(121,414)
Use of fund balance	156,850	156,850	156,850	-
	14,950	14,950	(214,233)	(229,183)
Total Other Financing Sources/Uses				
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,723,025	\$ 1,723,025

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, 2019

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 3,247,095	\$ 3,247,095	\$ 3,247,095	\$ -
Penalties, interest, and other taxes	26,746	26,746	26,746	-
Charges for services	259,850	259,850	166,729	(93,121)
Intergovernmental	-	-	3,842	3,842
Contributions	100	100	1,294	1,194
Total Revenues	3,533,791	3,533,791	3,445,706	(88,085)
Expenditures				
Public safety	3,607,734	3,607,734	3,348,963	258,771
Total Expenditures	3,607,734	3,607,734	3,348,963	258,771
Excess (deficiency) of revenues over expenditures	(73,943)	(73,943)	96,743	170,686
Other Financing Sources/Uses				
Transfers in	248,943	248,943	248,943	-
Transfers out	(175,000)	(175,000)	(190,787)	15,787
Total Other Financing Sources/Uses	73,943	73,943	58,156	15,787
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 154,899	\$ 154,899

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	(Negative)
Revenues				
Property taxes	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Charges for services	1,809,339	1,809,339	1,654,443	(154,896)
Contributions	80,000	80,000	1,805	(78,195)
Total Revenues and Other Sources	1,974,339	1,974,339	1,741,248	(233,091)
Expenditures				
Public safety	1,824,965	1,824,965	1,689,272	135,693
Debt service	324,374	324,374	324,374	-
Total Expenditures and Other Uses	2,149,339	2,149,339	2,013,646	135,693
Excess (deficiency) of revenues over expenditures	(175,000)	(175,000)	(272,398)	(97,398)
Other Financing Sources/Uses				
Transfers in	220,000	220,000	220,000	-
Transfers out	(105,000)	(105,000)	(105,000)	-
Use of fund balance	60,000	60,000	60,000	-
Total Other Financing Sources/Uses	175,000	175,000	175,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (97,398)	\$ (97,398)

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 302,901	\$ 875,497	\$ 1,178,398
User fees, net of allowance for uncollectibles	879,797	186,626	1,066,423
Intergovernmental receivables	-	261,954	261,954
Due from other funds	-	1,761,154	1,761,154
Other assets	<u>787,745</u>	<u>349,428</u>	<u>1,137,173</u>
Total current assets	1,970,443	3,434,659	5,405,102
Noncurrent:			
Capital Assets:			
Land and construction in progress	150,873	365,708	516,581
Other assets, net of accumulated depreciation	<u>9,779,986</u>	<u>12,704,101</u>	<u>22,484,087</u>
Total noncurrent assets	<u>9,930,859</u>	<u>13,069,809</u>	<u>23,000,668</u>
Deferred Outflows of Resources			
Related to pensions	128,542	236,492	365,034
Related to OPEB	<u>17,866</u>	<u>32,870</u>	<u>50,736</u>
Total Assets and Deferred Outflows of Resources	12,047,710	16,773,830	28,821,540
Liabilities			
Current:			
Accounts payable	84,368	113,157	197,525
Accrued liabilities	153,420	85,263	238,683
Due to other funds	1,324,172	-	1,324,172
Current portion of long-term liabilities:			
Bonds payable	611,325	480,803	1,092,128
Other	<u>79,117</u>	<u>6,313</u>	<u>85,430</u>
Total current liabilities	2,252,402	685,536	2,937,938
Noncurrent:			
Bonds payable, net of current portion	3,444,749	4,105,188	7,549,937
Net pension liability	657,828	1,210,281	1,868,109
Net OPEB obligation	155,662	286,389	442,051
Other, net of current portion	<u>208,105</u>	<u>80,697</u>	<u>288,802</u>
Total noncurrent liabilities	<u>4,466,344</u>	<u>5,682,555</u>	<u>10,148,899</u>
Deferred Inflows of Resources			
Related to pensions	31,349	57,675	89,024
Related to OPEB	12,443	22,891	35,334
Other	<u>3,301</u>	<u>6,123</u>	<u>9,424</u>
Total Liabilities and Deferred Inflows of Resources	6,765,839	6,454,780	13,220,619
Net Position			
Net investment in capital assets	5,650,547	8,483,818	14,134,365
Unrestricted	<u>(368,676)</u>	<u>1,835,232</u>	<u>1,466,556</u>
Total Net Position	<u>\$ 5,281,871</u>	<u>\$ 10,319,050</u>	<u>\$ 15,600,921</u>

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, 2019

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Operating Revenues			
Charges for services	\$ 2,371,918	\$ 2,719,577	\$ 5,091,495
Other	8,539	17,000	25,539
Total Operating Revenues	<u>2,380,457</u>	<u>2,736,577</u>	<u>5,117,034</u>
Operating Expenses			
Operating expenses	1,077,957	1,789,220	2,867,177
Depreciation	387,748	1,187,961	1,575,709
Total Operating Expenses	<u>1,465,705</u>	<u>2,977,181</u>	<u>4,442,886</u>
Operating Income (Loss)	914,752	(240,604)	674,148
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	-	149,520	149,520
Investment income	3,967	14,469	18,436
Interest expense	(155,558)	(159,645)	(315,203)
Total Nonoperating Revenues (Expenses), Net	<u>(151,591)</u>	<u>4,344</u>	<u>(147,247)</u>
Income (Loss) Before Transfers	763,161	(236,260)	526,901
Transfers:			
Transfers out	<u>(10,500)</u>	<u>(17,000)</u>	<u>(27,500)</u>
Change in Net Position	752,661	(253,260)	499,401
Net Position at Beginning of Year	<u>4,529,210</u>	<u>10,572,310</u>	<u>15,101,520</u>
Net Position at End of Year	<u>\$ 5,281,871</u>	<u>\$ 10,319,050</u>	<u>\$ 15,600,921</u>

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, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 1,818,146	\$ 2,724,613	\$ 4,542,759
Payments to vendors and employees	<u>(1,116,065)</u>	<u>(1,602,759)</u>	<u>(2,718,824)</u>
Net Cash Provided By (Used For) Operating Activities	702,081	1,121,854	1,823,935
Cash Flows From Noncapital Financing Activities			
Transfers out	(10,500)	(17,000)	(27,500)
Intergovernmental revenue	-	178,626	178,626
Interfund lending	<u>495,085</u>	<u>(67,747)</u>	<u>427,338</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	484,585	93,879	578,464
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets, net of disposals	(244,723)	(375,610)	(620,333)
Principal payments on bonds	(590,360)	(472,331)	(1,062,691)
Capital lease payments	(70,996)	-	(70,996)
Interest expense	<u>(155,558)</u>	<u>(144,975)</u>	<u>(300,533)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,061,637)	(992,916)	(2,054,553)
Cash Flows From Investing Activities			
Investment income	<u>3,967</u>	<u>14,469</u>	<u>18,436</u>
Net Cash Provided By (Used For) Investing Activities	<u>3,967</u>	<u>14,469</u>	<u>18,436</u>
Net Change in Cash and Short-Term Investments	128,996	237,286	366,282
Cash and Short-Term Investments, Beginning of Year	<u>173,905</u>	<u>638,211</u>	<u>812,116</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>302,901</u></u>	\$ <u><u>875,497</u></u>	\$ <u><u>1,178,398</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating income (loss)	\$ 914,752	\$ (240,604)	\$ 674,148
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	387,748	1,187,961	1,575,709
Changes in assets and liabilities:			
User fees	(562,311)	(11,963)	(574,274)
Deferred outflows - related to pensions	52,234	31,740	83,974
Deferred outflows - related to OPEB	(10,449)	(21,866)	(32,315)
Accounts payable	53,196	44,285	97,481
Accrued liabilities	(22,338)	-	(22,338)
Compensated absences	12,597	10,099	22,696
Net pension liability	(120,784)	54,993	(65,791)
Net OPEB liability	4,533	62,148	66,681
Deferred inflows - related to pensions	(11,706)	(6,208)	(17,914)
Deferred inflows - related to OPEB	<u>4,609</u>	<u>11,269</u>	<u>15,878</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>702,081</u></u>	\$ <u><u>1,121,854</u></u>	\$ <u><u>1,823,935</u></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, 2019

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 147	\$ 840,489
Investments	95,457	1,533,747
Accounts receivable	-	1,046
Due from external parties	-	<u>113,603</u>
Total Assets	<u>95,604</u>	<u>2,488,885</u>
Liabilities		
Accounts payable	-	1,046
Due to external parties	-	2,018,508
Other liabilities	<u>-</u>	<u>469,331</u>
Total Liabilities	<u>-</u>	<u>\$ 2,488,885</u>
Net Position		
Restricted for other purposes	<u>95,604</u>	
Total Net Position	<u>\$ 95,604</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, 2019

	<u>Private Purpose Trust Funds</u>
Additions	
Miscellaneous revenue	\$ <u>6,727</u>
Total additions	6,727
Deductions	
Other	<u>1,576</u>
Total deductions	<u>1,576</u>
Net increase (decrease)	5,151
Net position restricted for other purposes	
Beginning of year	<u>90,453</u>
End of year	\$ <u><u>95,604</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 2019, 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 nonoperating 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 wastewater 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 "due from/to other funds" (i.e., the current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 16,188,452	\$ 14,119,568	\$ (304,880)
Adjust tax revenue to accrual basis	36,576	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(887,010)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,032,761	-
Recognize use of fund balance as funding source	-	-	156,850
To eliminate capital reserve activity	(43,313)	-	(66,203)
To record other GAAP timing differences	<u>20,862</u>	<u>-</u>	<u>-</u>
Budgetary basis	<u>\$ 16,202,577</u>	<u>\$ 14,265,319</u>	<u>\$ (214,233)</u>

<u>Fire Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 3,454,077	\$ 3,328,951	\$ 58,156
Adjust tax revenue to accrual basis	(8,371)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(10,000)	-
Add end-of-year appropriation carryforwards from expenditures	-	30,012	-
Budgetary basis	<u>\$ 3,445,706</u>	<u>\$ 3,348,963</u>	<u>\$ 58,156</u>

<u>Parking Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 1,741,643	\$ 1,883,137	\$ 115,000
Adjust tax revenue to accrual basis	(395)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(107,503)	-
Add end-of-year appropriation carryforwards from expenditures	-	238,012	-
Recognize use of fund balance as funding source	-	-	60,000
Budgetary basis	<u>\$ 1,741,248</u>	<u>\$ 2,013,646</u>	<u>\$ 175,000</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, 2019, \$16,071 of the Town's balance of \$34,174,751 was exposed to custodial credit risk as uninsured and/or uncollateralized. This amount represents the cash portion of investment accounts in the custody of the Trustees of Trust Funds.

4. Investments

The following is a summary of the Town's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 727,369
Mutual funds	<u>6,305,870</u>
Total investments	<u>\$ 7,033,239</u>

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 type 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>	<u>Not Rated</u>
Corporate equities	\$ 727,369	\$ 727,369	\$ -	\$ -	\$ -
Mutual funds	6,305,870	6,305,870	-	-	-
Total investments	<u>\$ 7,033,239</u>	<u>\$ 7,033,239</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/City/District does not have formal investment policies related to custodial credit risk.

As of June 30, 2019, \$7,033,239 of the Town's total investments were 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 as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>	Held by Counterparty's <u>Trust or Agent</u>
Corporate equities	\$ 727,369	\$ 727,369	-
Mutual funds	6,305,870	6,305,870	-
Total	<u>\$ 7,033,239</u>	<u>\$ 7,033,239</u>	<u>\$ -</u>

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Vanguard Funds Dividend Appreciation Admiral SHS	\$ 1,431,411	20%
PIMCO FDS Income FD Instl CL	1,389,620	20%
American Funds Europacific Growth Fund Class F2	740,759	11%
Vanguard Funds Vanguard Totals STK MKT Index FD	738,096	10%
Ishares MSCI EAFE In ETF	727,369	10%
Vanguard BD Index Fds Intermediate Term BD Admiral	525,242	7%
Vanguard Index FDS Growth Index FD	<u>456,350</u>	6%
Total	\$ <u><u>6,008,847</u></u>	

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Mutual funds	\$ <u>6,305,870</u>	\$ <u>6,305,870</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total	\$ <u><u>6,305,870</u></u>	\$ <u><u>6,305,870</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

E. Foreign Currency Risk

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

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to

unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The Town has the following fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 727,369	\$ 727,369	\$ -	\$ -
Mutual funds	<u>6,305,870</u>	6,305,870		
Total	<u>\$ 7,033,239</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of June 30, 2019.

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 8% 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 12%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at June 30, 2019 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 4,024,906	\$ -	\$ 4,024,906	\$ -
Tax liens	<u>194,928</u>	<u>(19,493)</u>	<u>-</u>	<u>175,435</u>
Total property taxes	<u>\$ 4,219,834</u>	<u>\$ (19,493)</u>	<u>\$ 4,024,906</u>	<u>\$ 175,435</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, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Governmental Funds:			
General Fund	\$ 187,872	\$ -	\$ 187,872
Fire Fund	3,350	-	3,350
Ambulance	131,416	(58,768)	72,648
Business-Type Funds:			
Water	879,797	-	879,797
Water Reclamation	<u>186,626</u>	<u>-</u>	<u>186,626</u>
Total	<u>\$ 1,389,061</u>	<u>\$ (58,768)</u>	<u>\$ 1,330,293</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

9. Other Assets

The year-end balance of \$909,101 reported under governmental activities primarily consisted of a prepayment toward the purchase of a fire truck. The year-end balance reported under business activities represents debt payments that are made in advance as the payments are due on July 1.

10. 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, 2019 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 572,848	\$ 4,140,515
Fire Fund	643,809	-
Parking Fund	1,034,164	-
Non Major Funds:		
Special Revenue Funds:		
Ambulance	222,024	-
Conservation	2,666	-
DMA	5,560	-
Housing	234,373	-
LGPA	51,984	-
SP	78,208	-
SPRec	28,734	-
Capital Project Funds	851,712	-
Permanent Trust Funds	435	136,587
Subtotal Nonmajor Funds	<u>1,475,696</u>	<u>136,587</u>
Business Type Activities:		
Enterprise Funds		
Water	-	1,324,172
Water Reclamation	1,761,154	-
Subtotal Enterprise Funds	<u>1,761,154</u>	<u>1,324,172</u>
Agency Funds	<u>113,603</u>	-
Total	<u>\$ 5,601,274</u>	<u>\$ 5,601,274</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	\$ 549,701	\$ 854,581
Fire Fund	248,943	190,787
Parking Fund	220,000	105,000
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	158,895	-
Housing	-	7,954
Permanent Funds:		
Non-expendable	86	410
Expendable	-	2,733
Capital Project Funds	<u>23,741</u>	<u>12,401</u>
Subtotal Nonmajor Funds	182,722	23,498
<u>Business-Type Funds:</u>		
Water Fund	-	10,500
Water Reclamation Fund	<u>-</u>	<u>17,000</u>
Subtotal Business-Type Funds	<u>-</u>	<u>27,500</u>
Grand Total	\$ <u><u>1,201,366</u></u>	\$ <u><u>1,201,366</u></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.

11. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,080,060	\$ 537,136	\$ (16,790)	\$ 16,600,406
Machinery, equipment, and furnishings	3,919,423	499,035	(124,569)	4,293,889
Vehicles	6,574,451	260,224	(172,865)	6,661,810
Infrastructure	<u>52,055,471</u>	<u>812,413</u>	<u>-</u>	<u>52,867,884</u>
Total capital assets, being depreciated	78,629,405	2,108,808	(314,224)	80,423,989
Less accumulated depreciation for:				
Buildings and improvements	(6,657,243)	(509,101)	1,398	(7,164,946)
Machinery, equipment, and furnishings	(1,579,386)	(315,874)	126,794	(1,768,466)
Vehicles	(4,078,853)	(412,595)	172,818	(4,318,630)
Infrastructure	<u>(35,893,453)</u>	<u>(1,424,078)</u>	<u>-</u>	<u>(37,317,531)</u>
Total accumulated depreciation	<u>(48,208,935)</u>	<u>(2,661,648)</u>	<u>301,010</u>	<u>(50,569,573)</u>
Total capital assets, being depreciated, net	30,420,470	(552,840)	(13,214)	29,854,416
Capital assets, not being depreciated:				
Land	4,867,575	-	(219,909)	4,647,666
Construction in progress	<u>134,998</u>	<u>48,528</u>	<u>(134,998)</u>	<u>48,528</u>
Total capital assets, not being depreciated	<u>5,002,573</u>	<u>48,528</u>	<u>(354,907)</u>	<u>4,696,194</u>
Governmental activities capital assets, net	<u>\$ 35,423,043</u>	<u>\$ (504,312)</u>	<u>\$ (368,121)</u>	<u>\$ 34,550,610</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,364,459	\$ 29,317	\$ -	\$ 13,393,776
Machinery, equipment, and furnishings	12,088,596	196,538	-	12,285,134
Vehicles	479,303	-	-	479,303
Infrastructure	<u>12,677,961</u>	<u>289,618</u>	<u>-</u>	<u>12,967,579</u>
Total capital assets, being depreciated	38,610,319	515,473	-	39,125,792
Less accumulated depreciation for:				
Buildings and improvements	(5,743,267)	(507,393)	-	(6,250,660)
Machinery, equipment, and furnishings	(4,411,478)	(764,758)	-	(5,176,236)
Vehicles	(198,740)	(36,631)	-	(235,371)
Infrastructure	<u>(4,712,511)</u>	<u>(266,927)</u>	<u>-</u>	<u>(4,979,438)</u>
Total accumulated depreciation	<u>(15,065,996)</u>	<u>(1,575,709)</u>	<u>-</u>	<u>(16,641,705)</u>
Total capital assets, being depreciated, net	23,544,323	(1,060,236)	-	22,484,087
Capital assets, not being depreciated:				
Land	390,582	-	-	390,582
Construction in progress	<u>21,139</u>	<u>125,999</u>	<u>(21,139)</u>	<u>125,999</u>
Total capital assets, not being depreciated	<u>411,721</u>	<u>125,999</u>	<u>(21,139)</u>	<u>516,581</u>
Business-type activities capital assets, net	<u>\$ 23,956,044</u>	<u>\$ (934,237)</u>	<u>\$ (21,139)</u>	<u>\$ 23,000,668</u>

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

Governmental Activities:	
General government	\$ 122,206
Public safety	723,694
Highway and streets	1,725,588
Culture and recreation	<u>90,160</u>
Total depreciation expense - governmental activities	<u>\$ 2,661,648</u>
Business-Type Activities:	
Water	\$ 387,748
Water reclamation	<u>1,187,961</u>
Total depreciation expense - business-type activities	<u>\$ 1,575,709</u>

12. 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.

13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent 2019 expenditures paid in 2020.

14. 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.

15. 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.

16. 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 note(s) outstanding at June 30, 2019:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Dresden Hanover High Property Option	0.00%	04/16/04	08/10/23	\$ <u>500,000</u>
Total				\$ <u><u>500,000</u></u>

The following summarizes activity in note(s) payable during fiscal year 2019:

<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>600,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>500,000</u>
Total	\$ <u><u>600,000</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(100,000)</u></u>	\$ <u><u>500,000</u></u>

17. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2019:

	Governmental	
<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2020	\$ 132,533	\$ 14,641
2021	132,533	7,008
2022	132,532	7,008
2023	<u>-</u>	<u>2,338</u>
Total payments	397,598	30,995
Less amounts representing interest	<u>29,598</u>	<u>-</u>
Present Value of Minimum Lease Payments	\$ <u><u>368,000</u></u>	\$ <u><u>30,995</u></u>

18. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities</u>	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/19</u>
1999 Parking Facility	01/15/29	4.00-4.90%	\$ 2,540,000
2003 Community Center	01/15/23	4.25-4.90%	300,000
Total Governmental Activities			<u>\$ 2,840,000</u>

<u>Business-Type Activities</u>	Serial Maturities <u>Through</u>	Interest Rate(s) % <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/19</u>
2008 SRF Loan - Sewer	12/01/27	3.49%	\$ 1,333,777
SRF Loan - Water	02/01/22	2.22%	832,687
SRF Loan - Water	10/01/27	3.35%	3,223,387
SRF Loan - Water Pollution	08/01/26	2.91%	522,217
SRF Loan - Water Pollution	07/01/27	2.55%	2,729,997
Total Business-Type Activities			<u>\$ 8,642,065</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 280,000	\$ 138,302	\$ 418,302
2021	290,000	124,937	414,937
2022	300,000	111,017	411,017
2023	310,000	96,411	406,411
2024	245,000	81,278	326,278
2025 - 2029	<u>1,415,000</u>	<u>214,620</u>	<u>1,629,620</u>
Total	<u>\$ 2,840,000</u>	<u>\$ 766,565</u>	<u>\$ 3,606,565</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, 2019:

General fund	\$ 300,000
Special revenue fund	<u>2,540,000</u>
Total	<u>\$ 2,840,000</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	903,612	46,477	950,089
2025 - 2029	<u>3,504,298</u>	<u>867,752</u>	<u>4,372,050</u>
Total	<u>\$ 8,642,065</u>	<u>\$ 1,822,083</u>	<u>\$ 10,464,148</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 3,110,000	\$ -	\$ (270,000)	\$ 2,840,000	\$ (280,000)	\$ 2,560,000
Net pension liability	16,369,151	-	(346,920)	16,022,231	-	16,022,231
Net OPEB liability	3,177,257	614,100	-	3,791,357	-	3,791,357
Other:						
Notes payable	600,000	-	(100,000)	500,000	(100,000)	400,000
Compensated absences	2,154,563	179,459	-	2,334,022	(233,402)	2,100,620
Capital lease payable	<u>9,203</u>	<u>618,000</u>	<u>(259,203)</u>	<u>368,000</u>	<u>(117,923)</u>	<u>250,077</u>
Subtotal - other	<u>2,763,766</u>	<u>797,459</u>	<u>(359,203)</u>	<u>3,202,022</u>	<u>(451,325)</u>	<u>2,750,697</u>
Totals	<u>\$ 25,420,174</u>	<u>\$ 1,411,559</u>	<u>\$ (976,123)</u>	<u>\$ 25,855,610</u>	<u>\$ (731,325)</u>	<u>\$ 25,124,285</u>
Business-Type Activities						
Bonds payable	\$ 9,704,756	\$ -	\$ (1,062,691)	\$ 8,642,065	\$ (1,092,128)	\$ 7,549,937
Net pension liability	1,933,900	-	(65,791)	1,868,109	-	1,868,109
Net OPEB liability	375,370	66,681	-	442,051	-	442,051
Other:						
Compensated absences	127,445	22,696	-	150,141	(12,626)	137,515
Capital lease payable	<u>295,087</u>	<u>-</u>	<u>(70,996)</u>	<u>224,091</u>	<u>(72,804)</u>	<u>151,287</u>
Subtotal - other	<u>422,532</u>	<u>22,696</u>	<u>(70,996)</u>	<u>374,232</u>	<u>(85,430)</u>	<u>288,802</u>
Totals	<u>\$ 12,436,558</u>	<u>\$ 89,377</u>	<u>\$ (1,199,478)</u>	<u>\$ 11,326,457</u>	<u>\$ (1,177,558)</u>	<u>\$ 10,148,899</u>

D. Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds, issued by the Town for various municipal projects, are approved by Town Meeting and repaid with revenues recorded in the general fund and

user fees recorded in the enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise fund(s).

19. 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.

20. 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, 2019:

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, 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, 2019:

	General Fund	Fire Fund	Parking Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenditures	\$ 26,121	\$ -	\$ -	\$ -	\$ 26,121
Nonexpendable permanent funds:					
Cemetery perpetual care	-	-	-	184,658	184,658
Bressett memorial fund	-	-	-	4,633,820	4,633,820
Town library	-	-	-	85,305	85,305
Other trust funds	-	-	-	375,748	375,748
Total Nonexpendable	26,121	-	-	5,279,531	5,305,652
Restricted					
Fire fund	-	632,744	-	-	632,744
Parking fund	-	-	969,491	-	969,491
Special revenue funds:					
Ambulance fund	-	-	-	270,213	270,213
Conservation fund	-	-	-	365,575	365,575
Housing fund	-	-	-	363,250	363,250
Other special revenue funds	-	-	-	161,514	161,514
Expendable permanent funds	-	-	-	253,092	253,092
Total Restricted	-	632,744	969,491	1,413,644	3,015,879
Committed					
Capital reserve funds	1,577,347	-	-	-	1,577,347
Capital project funds	-	-	-	783,494	783,494
Reserved for expenditures	281,256	-	-	-	281,256
Total Committed	1,858,603	-	-	783,494	2,642,097
Assigned					
Encumbrances:					
General government	311,700	-	-	-	-
Public safety	94,767	-	-	-	-
Highways and streets	589,373	-	-	-	-
Culture and recreation	15,278	-	-	-	-
Conservation	21,643	-	-	-	21,643
Total Assigned	1,032,761	-	-	-	21,643
Unassigned					
General fund	4,105,167	-	-	-	4,105,167
Total Unassigned	4,105,167	-	-	-	4,105,167
Total Fund Balance	\$ 7,022,652	\$ 632,744	\$ 969,491	\$ 7,476,669	\$ 15,090,438

21. 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	\$ 3,094,049
Unavailable revenue	31,768
Reserve for special purposes	(56,068)
Reserve for prepaids	26,121
Other	<u>119,952</u>
Tax Rate Setting balance	<u>\$ 3,215,822</u>

22. 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 8 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	23	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, 2019 was \$1,531,539, 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, 2019, the Town reported a liability of \$17,890,340 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was .37153872%.

For the year ended June 30, 2019, the Town recognized pension expense of \$1,717,328. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 142,796	\$ (144,859)
Changes of assumptions	1,238,100	-
Net difference between projected and actual earnings on pension plan investments	-	(413,998)
Changes in proportion and differences between contributions and proportionate share of contributions	583,392	(293,693)
Contributions subsequent to the measurement date	<u>1,531,539</u>	<u>-</u>
Total	<u>\$ 3,495,827</u>	<u>\$ (852,550)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) 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 2020. 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:

2020	\$ 717,145
2021	692,210
2022	(224,642)
2023	<u>(72,975)</u>
Total	<u>\$ 1,111,738</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, 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, 2017 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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	<u>7.00</u>	1.14%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.25%
Opportunistic	<u>5.00</u>	2.15%
Total alternative investments	<u>15.00</u>	
Real estate	<u>10.00</u>	3.25%
Total	<u><u>100.00</u></u> %	

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 difference 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%, 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 or one percentage-point higher than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$	23,803,246	\$ 17,890,340	\$ 12,935,147

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.

23. 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 for the Town OPEB Plan are based on a measurement date of June 30, 2019.

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	13
Active employees	<u>146</u>
Total	<u><u>159</u></u>

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	3.50%
Healthcare cost trend rates	8% for 2019, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.9%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
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%

The discount rate was based on the long-term municipal bond rate at June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$2,610,157 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances, beginning of year	\$ 2,488,933
Changes for the year:	
Service cost	102,680
Interest	98,463
Changes in assumptions or other inputs	14,770
Benefit payments	<u>(94,689)</u>
Net Changes	<u>121,224</u>
Balances, end of year	<u>\$ 2,610,157</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.50% in 2019. 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:

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$	2,860,079	\$ 2,610,157	\$ 2,385,862

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:

	1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$	2,331,062	\$ 2,610,157	\$ 2,938,401

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$163,923. At June 30, 2019, 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>
Change in assumptions	\$ <u>204,429</u>	\$ <u>(333,223)</u>
Total	\$ <u><u>204,429</u></u>	\$ <u><u>(333,223)</u></u>

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

<u>Fiscal Year Ended:</u>	
2020	\$ (37,220)
2021	(37,220)
2022	(37,220)
2023	(19,467)
2024	(2,279)
Thereafter	<u>4,612</u>
Total	\$ <u><u>(128,794)</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.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www.nhrs.org>.

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

Contributions

Pursuant to RSA 100-A:16,III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.30% of gross payroll for Group I employees, 1.66% of gross payroll for Group I teachers, and 4.10% of gross payroll for Group II fire and police department members. Employees are not required to contribute. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan.

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2019 is based upon an actuarial valuation performed as of June 30, 2017(rolled forward to June 30, 2018) using a measurement date of June 30, 2018. 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, 2017 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, 2018 was \$1,623,251, representing 0.35454091%.

For the year ended June 30, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$607,816. At June 30, 2019, 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	\$ 153,306	\$ -
Difference between expected and actual experience	9,528	-
Changes in proportion	118,631	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(5,158)</u>
Total	<u>\$ 281,465</u>	<u>\$ (5,158)</u>

The amount 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, 2020.

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

<u>Fiscal Year Ended:</u>	
2019	\$ 126,550
2020	(1,609)
2021	(1,609)
2021	<u>(331)</u>
Total	<u>\$ 123,001</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:

	1% <u>Decrease</u>	Current Discount Rate	1% <u>Increase</u>
\$	1,689,486	\$ 1,623,251	\$ 1,437,713

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

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, 2019:

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred (Inflows) of Resources	Total OPEB Expense
Town OPEB Plan	\$ 2,610,157	\$ 204,429	\$ (333,223)	\$ 163,923
Proportionate share of NHRS Medical Subsidy Plan	<u>1,623,251</u>	<u>281,465</u>	<u>(5,158)</u>	<u>607,816</u>
Total	<u>\$ 4,233,408</u>	<u>\$ 485,894</u>	<u>\$ (338,381)</u>	<u>\$ 771,739</u>

24. 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.

Encumbrances – At year-end the Town’s general fund has \$1,032,761 in encumbrances that will be honored in the next fiscal year.

25. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

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

JUNE 30, 2019
 (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, 2019	June 30, 2018	0.37153872%	\$ 17,890,340	\$ 9,382,153	190.68%	64.73%
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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(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, 2019	June 30, 2018	\$ 1,531,539	\$ 1,531,539	\$ -	\$ 9,158,574	16.72%
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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE AND CONTRIBUTIONS
 OF THE NET OPEB LIABILITY (GASB 75)

JUNE 30, 2019
 (Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Net OPEB Liability
June 30, 2019	June 30, 2018	0.35454091%	\$1,623,251	\$ 9,382,153	17.30%	7.53%
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%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Valuation Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2019	June 30, 2018	\$153,506	\$153,506	\$ -	\$9,158,574	1.68%
June 30, 2018	June 30, 2017	\$137,760	\$137,760	\$ -	\$9,382,153	1.47%
June 30, 2017	June 30, 2016	\$127,273	\$127,273	\$ -	\$8,722,964	1.46%

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
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

(Unaudited)

Hanover OPEB Plan *

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 102,680	\$ 104,375
Interest on unfunded liability - time value of money	98,463	89,997
Differences between expected and actual experience	(216,139)	-
Changes of assumptions	230,909	(68,394)
Benefit payments, including refunds of member contributions	<u>(94,689)</u>	<u>(93,081)</u>
Net change in total OPEB liability	121,224	32,897
Total OPEB liability - beginning	<u>2,488,933</u>	<u>2,456,036</u>
Total OPEB liability - ending	<u>\$ 2,610,157</u>	<u>\$ 2,488,933</u>

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

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

* Does not include New Hampshire Retirement System Medical Subsidy.