



TOWN OF HANOVER, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Selectboard and Town Manager
Town of Hanover, New Hampshire

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, 2020, 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 Town'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 Town'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

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Greenfield, Massachusetts
Ellsworth, Maine

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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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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, the Budgetary Comparison for the General Fund and major special revenue funds, 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.

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire
May 10, 2021

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 for the fiscal year ended June 30, 2020.

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 required 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.

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.

Required Supplementary Information (Other Than MD&A)

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.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$24,752,444, a change of \$(2,331,020) in comparison to the prior year, and net position in business-type activities was \$16,062,569, a change of \$461,648 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,702,917, a change of \$(2,387,521) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$936,465, a change of \$(2,157,584) in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current fiscal year.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 39,751,832	\$ 40,932,834	\$ 4,278,734	\$ 3,643,948	\$ 44,030,566	\$ 44,576,782
Capital assets	<u>35,206,557</u>	<u>34,550,610</u>	<u>22,227,516</u>	<u>23,000,668</u>	<u>57,434,073</u>	<u>57,551,278</u>
Total assets	74,958,389	75,483,444	26,506,250	26,644,616	101,464,639	102,128,060
Deferred outflows of resources	2,843,099	3,565,951	360,067	415,770	3,203,166	3,981,721
Long-term liabilities outstanding	21,879,546	20,263,748	1,559,564	1,176,784	23,439,110	21,440,532
Other liabilities	<u>24,069,239</u>	<u>25,124,285</u>	<u>9,059,373</u>	<u>10,148,899</u>	<u>33,128,612</u>	<u>35,273,184</u>
Total liabilities	45,948,785	45,388,033	10,618,937	11,325,683	56,567,722	56,713,716
Deferred inflows of resources	7,100,259	6,577,898	184,811	133,782	7,285,070	6,711,680
Net investment in capital assets	32,698,886	32,126,104	14,526,145	14,134,365	47,225,031	46,260,469
Restricted	7,323,124	8,295,410	-	-	7,323,124	8,295,410
Unrestricted	<u>(15,269,566)</u>	<u>(13,338,050)</u>	<u>1,536,424</u>	<u>1,466,556</u>	<u>(13,733,142)</u>	<u>(11,871,494)</u>
Total net position	<u>\$ 24,752,444</u>	<u>\$ 27,083,464</u>	<u>\$ 16,062,569</u>	<u>\$ 15,600,921</u>	<u>\$ 40,815,013</u>	<u>\$ 42,684,385</u>

As noted earlier, net position may serve over time as a useful indicator of a town's financial position. At the close of the most recent fiscal year, total net position was \$40,815,013, a change of \$(1,869,372) in comparison to the prior year.

The largest portion of net position, \$47,225,031, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire

those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$7,323,124, 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 \$(13,733,142), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,369,394	\$ 4,495,915	\$ 5,046,293	\$ 5,091,495	\$ 9,415,687	\$ 9,587,410
Operating grants and contributions	536,083	337,887	148,272	149,520	684,355	487,407
Capital grants and contributions	206,122	86,271	-	-	206,122	86,271
General revenues:						
Property taxes	11,427,030	13,146,848	-	-	11,427,030	13,146,848
Motor vehicle permit fees	2,338,440	3,201,932	-	-	2,338,440	3,201,932
Penalties and interest on taxes	244,973	233,163	-	-	244,973	233,163
Grants and contributions not restricted to specific programs	884,647	877,030	-	-	884,647	877,030
Investment income	689,391	838,811	16,939	18,436	706,330	857,247
Other	236,208	699,552	53,669	25,539	289,877	725,091
Total revenues	<u>20,932,288</u>	<u>23,917,409</u>	<u>5,265,173</u>	<u>5,284,990</u>	<u>26,197,461</u>	<u>29,202,399</u>
Expenses:						
General government	6,266,203	6,101,546	-	-	6,266,203	6,101,546
Public safety	9,905,876	8,843,784	-	-	9,905,876	8,843,784
Highway and streets	3,423,018	3,896,351	-	-	3,423,018	3,896,351
Sanitation	846,197	444,791	-	-	846,197	444,791
Health and human services	414,337	402,714	-	-	414,337	402,714
Culture and recreation	2,393,470	2,478,012	-	-	2,393,470	2,478,012
Conservation	12,317	48,834	-	-	12,317	48,834
Interest on long-term debt	120,822	150,853	-	-	120,822	150,853
Water services	-	-	2,197,273	1,621,263	2,197,273	1,621,263
Water reclamation services	-	-	2,487,320	3,136,826	2,487,320	3,136,826
Total expenses	<u>23,382,240</u>	<u>22,366,885</u>	<u>4,684,593</u>	<u>4,758,089</u>	<u>28,066,833</u>	<u>27,124,974</u>
Change in net position before transfers	(2,449,952)	1,550,524	580,580	526,901	(1,869,372)	2,077,425
Transfers in (out)	<u>118,932</u>	<u>27,500</u>	<u>(118,932)</u>	<u>(27,500)</u>	<u>-</u>	<u>-</u>
Change in net position	(2,331,020)	1,578,024	461,648	499,401	(1,869,372)	2,077,425
Net position - beginning 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>
Net position - end of year	<u>\$ 24,752,444</u>	<u>\$ 27,083,464</u>	<u>\$ 16,062,569</u>	<u>\$ 15,600,921</u>	<u>\$ 40,815,013</u>	<u>\$ 42,684,385</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(2,331,020). Key elements of this change are as follows:

General fund operations	\$ (1,332,071)
Capital assets acquired with current year revenues, net of disposals	2,458,798
Depreciation expense in excess of principal debt	(2,328,773)
Change in pension expense from GASB 68	(238,162)
Change in OPEB Expense from GASB 75	(81,808)
Other	<u>(809,004)</u>
Total	<u>\$ (2,331,020)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$461,648. Key elements of this change are as follows:

Water operations	\$ 148,294
Water reclamation operations	<u>313,354</u>
Total	<u>\$ 461,648</u>

Financial Analysis of the Town's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$936,465, while total fund balance was \$4,679,463. The June 30, 2020 change in unassigned fund balance was largely due to the recognition of an actual BTLA liability of \$505,736 paid out just after year end and an anticipated BTLA liability of \$983,000 to be paid out in the subsequent period. 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>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 936,465	\$ 3,094,049	\$ (2,157,584)	6.1%
Total fund balance	\$ 4,679,463	\$ 6,011,534	\$ (1,332,071)	30.3%

The total fund balance of the general fund changed by \$(1,332,071) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (842,997)
Revenues and other financing sources as compared with budgeted amounts	(1,536,857)
Expenditures and other financing uses as compared with budgeted amounts	380,191
Expenditures of current year encumbrances over prior year encumbrances	225,418
Change in capital reserves	<u>442,174</u>
Total	<u>\$ (1,332,071)</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General capital reserves	\$ 2,019,521	\$ 1,577,347	\$ 442,174

Individual year-end account balances include the following:

Ambulance Equipment	\$ 24,942
Bridge Replacement and Renovation	229,184
Building Maintenance and Improvement	320,556
Dispatch Equipment and Center Renovation	160,618
Fire Department Vehicle and Equipment	220,951
Highway Construction and Maintenance	327,571
Parking Vehicles and Equipment	398,226
Police Vehicles and Equipment	27,385
Property Renovation	27,079
Road Construction and Improvements	159,527
Other	<u>123,482</u>
Total	<u>\$ 2,019,521</u>

Other Major Funds

The *fire fund* is used to account for fire protection services which are funded by fire district taxes (separate from property taxes). Assessments are levied according to district. Three distinct fire districts are defined by their proximity to fire hydrant systems and the level of fire protection services provided by the Town.

The *nonexpendable permanent trust fund* is used to account for certain financial resources that are legally restricted to the extent that only earnings, not principal, may be used to support governmental programs for the benefit of residents.

Non-Major Governmental Funds

The non-major fund balance changed by \$(1,099,440) primarily resulting from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

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 \$1,536,424, a change of \$69,868 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.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration**Capital Assets**

Total investment in capital assets for governmental and business-type activities at year end amounted to \$57,434,073 (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:

FY20 Shim Overlay/Paving	\$	690,849
2019 E-One Cyclone Emax Pumper	\$	607,500
Parking Garage Improvements	\$	422,880
2019 Ford F550 4x4 Lifeline	\$	304,809
Police Covered Garage Improvements	\$	226,384
Traffic Signal - Wheelock	\$	238,228

Business-type Activities:

Primary Clarifier Replacement	\$	225,482
WRF Facility Solar Roof	\$	164,780
Pump Station #2 Replacement	\$	159,367

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 \$10,109,937, 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, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 27,271,003	\$ 2,149,035	\$ 29,420,038
Investments	5,397,189	-	5,397,189
Restricted cash	2,019,521	-	2,019,521
Receivables, net of allowance for uncollectibles:			
Property taxes	4,024,906	-	4,024,906
User fees	237,594	759,677	997,271
Intergovernmental	2,637.00	232,848	235,485
Other assets	<u>294,368</u>	<u>1,137,174</u>	<u>1,431,542</u>
Total Current Assets	39,247,218	4,278,734	43,525,952
Noncurrent:			
Property taxes, net of allowance for uncollectibles	504,614	-	504,614
Capital assets:			
Land and construction in progress	4,523,422	549,949	5,073,371
Other capital assets, net of accumulated depreciation	<u>30,683,135</u>	<u>21,677,567</u>	<u>52,360,702</u>
Total Noncurrent Assets	<u>35,711,171</u>	<u>22,227,516</u>	<u>57,938,687</u>
Total Assets	74,958,389	26,506,250	101,464,639
Deferred Outflows of Resources			
Related to pensions	2,279,281	288,662	2,567,943
Related to OPEB	<u>563,818</u>	<u>71,405</u>	<u>635,223</u>
Total Deferred Outflows of Resources	2,843,099	360,067	3,203,166
Liabilities			
Current:			
Accounts payable	1,101,039	208,309	1,309,348
Accrued liabilities	452,357	138,767	591,124
Due to other governments	17,571,623	-	17,571,623
Other liabilities	1,967,814	-	1,967,814
Current portion of long-term liabilities:			
Bonds payable	290,000	1,122,533	1,412,533
Dresden Regional School District	100,000	-	100,000
Compensated absences	240,336	15,265	255,601
Capital leases	<u>156,377</u>	<u>74,690</u>	<u>231,067</u>
Total Current Liabilities	21,879,546	1,559,564	23,439,110
Noncurrent:			
Bonds payable, net of current portion	2,270,000	6,427,404	8,697,404
Net pension liability	15,038,448	1,904,563	16,943,011
Net OPEB liability	4,053,989	513,422	4,567,411
Dresden Regional School District, net of current portion	300,000	-	300,000
Compensated absences, net of current portion	2,163,579	137,387	2,300,966
Capital leases, net of current portion	<u>243,223</u>	<u>76,597</u>	<u>319,820</u>
Total Noncurrent Liabilities	<u>24,069,239</u>	<u>9,059,373</u>	<u>33,128,612</u>
Total Liabilities	45,948,785	10,618,937	56,567,722
Deferred Inflows of Resources			
Related to pensions	1,133,959	143,613	1,277,572
Related to OPEB	250,882	31,773	282,655
Unearned revenues	<u>5,715,418</u>	<u>9,425</u>	<u>5,724,843</u>
Total Deferred Inflows of Resources	7,100,259	184,811	7,285,070
Net Position			
Net investment in capital assets	32,698,886	14,526,145	47,225,031
Restricted for:			
Grants and other statutory restrictions	1,640,958	-	1,640,958
Permanent funds:			
Nonexpendable	5,411,442	-	5,411,442
Expendable	270,724	-	270,724
Unrestricted	<u>(15,269,566)</u>	<u>1,536,424</u>	<u>(13,733,142)</u>
Total Net Position	<u>\$ 24,752,444</u>	<u>\$ 16,062,569</u>	<u>\$ 40,815,013</u>

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, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 6,266,203	\$ 21,580	\$ 44,217	\$ -	\$ (6,200,406)	\$ -	\$ (6,200,406)
Public safety	9,905,876	3,567,736	486,536	-	(5,851,604)	-	(5,851,604)
Highway and streets	3,423,018	23,794	1,630	206,122	(3,191,472)	-	(3,191,472)
Sanitation	846,197	9,695	-	-	(836,502)	-	(836,502)
Health and human services	414,337	28	3,700	-	(410,609)	-	(410,609)
Culture and recreation	2,393,470	745,698	-	-	(1,647,772)	-	(1,647,772)
Conservation	12,317	863	-	-	(11,454)	-	(11,454)
Interest on long-term debt	120,822	-	-	-	(120,822)	-	(120,822)
Total Governmental Activities	23,382,240	4,369,394	536,083	206,122	(18,270,641)	-	(18,270,641)
Business-Type Activities							
Water operations	2,197,273	2,383,467	-	-	-	186,194	186,194
Water reclamation operations	2,487,320	2,662,826	148,272	-	-	323,778	323,778
Total Business-Type Activities	4,684,593	5,046,293	148,272	-	-	509,972	509,972
Total	\$ 28,066,833	\$ 9,415,687	\$ 684,355	\$ 206,122	(18,270,641)	509,972	(17,760,669)
General Revenues and Transfers:							
Property taxes					11,427,030	-	11,427,030
Motor vehicle permit fees					2,338,440	-	2,338,440
Penalties, interest, and other taxes					244,973	-	244,973
Grants and contributions not restricted to specific programs					884,647	-	884,647
Investment income					689,391	16,939	706,330
Other					236,208	53,669	289,877
Transfers, net					118,932	(118,932)	-
Total general revenues					15,939,621	(48,324)	15,891,297
Change in Net Position					(2,331,020)	461,648	(1,869,372)
Net Position							
Beginning of year					27,083,464	15,600,921	42,684,385
End of year					\$ 24,752,444	\$ 16,062,569	\$ 40,815,013

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

TOWN OF HANOVER, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
June 30, 2020

	General <u>Fund</u>	Fire <u>Fund</u>	Non Expendable <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets					
Cash and short-term investments	\$ 24,196,856	\$ 709,493	\$ 14,253	\$ 2,350,401	\$ 27,271,003
Investments	-	-	5,397,189	-	5,397,189
Restricted cash	2,019,521	-	-	-	2,019,521
Receivables:					
Property taxes	4,554,685	-	-	-	4,554,685
User fees	190,464	-	-	47,130	237,594
Intergovernmental	2,637	-	-	-	2,637
Other assets	<u>170,763</u>	<u>23,622</u>	<u>-</u>	<u>17,705</u>	<u>212,090</u>
Total Assets	<u>\$ 31,134,926</u>	<u>\$ 733,115</u>	<u>\$ 5,411,442</u>	<u>\$ 2,415,236</u>	<u>\$ 39,694,719</u>
Liabilities					
Accounts payable	\$ 904,408	\$ 33,191	\$ -	\$ 163,440	\$ 1,101,039
Accrued liabilities	117,395	131,479	-	135,384	384,258
Tax refunds payable	1,489,000	-	-	-	1,489,000
Due to other governments	17,571,623	-	-	-	17,571,623
Other liabilities	<u>478,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,814</u>
Total Liabilities	20,561,240	164,670	-	298,824	21,024,734
Deferred Inflows of Resources					
Unavailable revenues	5,894,223	23,622	-	49,223	5,967,068
Fund Balances					
Nonspendable	35,298	-	5,411,442	-	5,446,740
Restricted	-	544,823	-	1,366,859	1,911,682
Committed	2,449,521	-	-	811,029	3,260,550
Assigned	1,258,179	-	-	-	1,258,179
Unassigned	<u>936,465</u>	<u>-</u>	<u>-</u>	<u>(110,699)</u>	<u>825,766</u>
Total Fund Balances, as reclassified	<u>4,679,463</u>	<u>544,823</u>	<u>5,411,442</u>	<u>2,067,189</u>	<u>12,702,917</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,134,926</u>	<u>\$ 733,115</u>	<u>\$ 5,411,442</u>	<u>\$ 2,415,236</u>	<u>\$ 39,694,719</u>

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, 2020

Total governmental fund balances	\$ 12,702,917
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.	35,206,557
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	235,563
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.	
Bonds payable	(2,560,000)
Leases payable	(399,600)
Pension liability, net of related deferred outflows and inflows of resources	(13,893,126)
OPEB liability, net of related deferred outflows and inflows of resources	(3,741,053)
Compensated absences	(2,403,915)
Dresden School District liability	(400,000)
Accrued interest	<u>(68,099)</u>
Net position of governmental activities	<u><u>\$ 24,752,444</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, 2020

	General <u>Fund</u>	Fire <u>Fund</u>	Non <u>Expendable</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property taxes	\$ 8,014,759	\$ 3,272,417	\$ -	\$ 88,803	\$ 11,375,979
Penalties, interest, and other taxes	220,403	24,570	-	-	244,973
Charges for services	1,535,649	149,169	-	2,670,223	4,355,041
Intergovernmental	929,711	-	-	697,141	1,626,852
Licenses and permits	2,352,793	-	-	-	2,352,793
Investment income	322,233	-	362,451	4,707	689,391
Miscellaneous	80,842	-	-	109,068	189,910
Contributions	<u>10,768</u>	<u>12,465</u>	<u>17,962</u>	<u>5,103</u>	<u>46,298</u>
Total Revenues	13,467,158	3,458,621	380,413	3,575,045	20,881,237
Expenditures					
Current:					
General government	5,570,682	-	16,159	188,869	5,775,710
Public safety	3,238,231	3,513,447	-	3,571,002	10,322,680
Highway and streets	3,329,726	-	-	-	3,329,726
Sanitation	352,881	-	-	413,156	766,037
Health and human services	414,337	-	-	-	414,337
Culture and recreation	2,365,138	-	-	79,878	2,445,016
Conservation	11,181	-	-	1,136	12,317
Debt service					
Principal	175,000	-	-	325,014	500,014
Interest	<u>9,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,774</u>
Total Expenditures	<u>15,466,950</u>	<u>3,513,447</u>	<u>16,159</u>	<u>4,579,055</u>	<u>23,575,611</u>
Excess (Deficiency) of Revenues over Expenditures	(1,999,792)	(54,826)	364,254	(1,004,010)	(2,694,374)
Other Financing Sources (Uses)					
Issuance of capital lease	187,921	-	-	-	187,921
Transfers in	1,221,531	55,415	-	-	1,276,946
Transfers out	<u>(741,731)</u>	<u>(88,510)</u>	<u>(232,343)</u>	<u>(95,430)</u>	<u>(1,158,014)</u>
Total Other Financing Sources (Uses)	<u>667,721</u>	<u>(33,095)</u>	<u>(232,343)</u>	<u>(95,430)</u>	<u>306,853</u>
Change in fund balance	(1,332,071)	(87,921)	131,911	(1,099,440)	(2,387,521)
Fund Equity, at Beginning of Year, as reclassified	<u>6,011,534</u>	<u>632,744</u>	<u>5,279,531</u>	<u>3,166,629</u>	<u>15,090,438</u>
Fund Equity, at End of Year	<u>\$ 4,679,463</u>	<u>\$ 544,823</u>	<u>\$ 5,411,442</u>	<u>\$ 2,067,189</u>	<u>\$ 12,702,917</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, 2020

Net changes in fund balances - total governmental funds \$ (2,387,521)

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, net of disposals	2,646,719
Depreciation	(2,608,773)

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:

Issuance of capital lease	(187,921)
Repayments of debt	280,000
Repayments of capital leases	156,321
Repayment of note	100,000

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.

62,394

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:

Change in pension expense from GASB 68	(238,162)
Change in OPEB expense from GASB 75	(81,808)
Change in compensated absences	(69,893)

Other differences (2,376)

Change in net position of governmental activities \$ (2,331,020)

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

TOWN OF HANOVER, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ (877,782)	\$ 3,026,817	\$ 2,149,035
User fees, net of allowance for uncollectibles	759,677	-	759,677
Intergovernmental receivables	-	232,848	232,848
Other assets	787,746	349,428	1,137,174
Total Current Assets	669,641	3,609,093	4,278,734
Noncurrent:			
Capital Assets:			
Land and construction in progress	150,873	399,076	549,949
Other assets, net of accumulated depreciation	9,540,087	12,137,480	21,677,567
Total Noncurrent Assets	9,690,960	12,536,556	22,227,516
Total Assets	10,360,601	16,145,649	26,506,250
Deferred Outflows of Resources			
Related to pensions	149,326	139,336	288,662
Related to OPEB	36,938	34,467	71,405
Total Deferred Outflows of Resources	186,264	173,803	360,067
Liabilities			
Current:			
Accounts payable	29,650	178,659	208,309
Accrued liabilities	86,082	52,685	138,767
Current portion of long-term liabilities:			
Loans payable	633,037	489,496	1,122,533
Compensated absences	6,007	9,258	15,265
Capital leases	74,690	-	74,690
Total Current Liabilities	829,466	730,098	1,559,564
Noncurrent:			
Loans payable, net of current portion	2,811,712	3,615,692	6,427,404
Net pension liability	985,236	919,327	1,904,563
Net OPEB obligation	265,594	247,828	513,422
Compensated absences, net of current portion	54,064	83,323	137,387
Capital leases, net of current portion	76,597	-	76,597
Total Noncurrent Liabilities	4,193,203	4,866,170	9,059,373
Total Liabilities	5,022,669	5,596,268	10,618,937
Deferred Inflows of Resources			
Related to pensions	74,292	69,321	143,613
Related to OPEB	16,437	15,336	31,773
Other	3,302	6,123	9,425
Total Deferred Inflows of Resources	94,031	90,780	184,811
Net Position			
Net investment in capital assets	6,094,777	8,431,368	14,526,145
Unrestricted	(664,612)	2,201,036	1,536,424
Total Net Position	\$ 5,430,165	\$ 10,632,404	\$ 16,062,569

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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Operating Revenues			
Charges for services	\$ 2,383,467	\$ 2,662,826	\$ 5,046,293
Other	<u>27,029</u>	<u>26,640</u>	<u>53,669</u>
Total Operating Revenues	2,410,496	2,689,466	5,099,962
Operating Expenses			
Salaries and benefits	491,377	761,588	1,252,965
Other operating expenses	1,233,400	452,349	1,685,749
Depreciation	<u>408,325</u>	<u>1,198,491</u>	<u>1,606,816</u>
Total Operating Expenses	<u>2,133,102</u>	<u>2,412,428</u>	<u>4,545,530</u>
Operating Income (Loss)	277,394	277,038	554,432
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	-	148,272	148,272
Investment income	4,003	12,936	16,939
Interest expense	<u>(64,171)</u>	<u>(74,892)</u>	<u>(139,063)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(60,168)</u>	<u>86,316</u>	<u>26,148</u>
Income (Loss) Before Transfers	217,226	363,354	580,580
Transfers out	<u>(68,932)</u>	<u>(50,000)</u>	<u>(118,932)</u>
Change in Net Position	148,294	313,354	461,648
Net Position at Beginning of Year	<u>5,281,871</u>	<u>10,319,050</u>	<u>15,600,921</u>
Net Position at End of Year	<u>\$ 5,430,165</u>	<u>\$ 10,632,404</u>	<u>\$ 16,062,569</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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Water Reclamation Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,530,616	\$ 2,876,092	\$ 5,406,708
Payments to employees	(491,377)	(761,588)	(1,252,965)
Payments to vendors	(823,143)	(587,277)	(1,410,420)
Net Cash Provided By (Used For) Operating Activities	1,216,096	1,527,227	2,743,323
Cash Flows From Noncapital Financing Activities			
Transfers out	(68,932)	(50,000)	(118,932)
Intergovernmental revenue	-	177,378	177,378
Net Cash Provided By (Used For) Noncapital Financing Activities	(68,932)	127,378	58,446
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets, net of disposals	(168,426)	(665,238)	(833,664)
Principal payments on bonds	(611,325)	(480,803)	(1,092,128)
Capital lease payments	(72,804)	-	(72,804)
Interest expense	(155,123)	(131,334)	(286,457)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(1,007,678)	(1,277,375)	(2,285,053)
Cash Flows From Investing Activities			
Investment income	4,003	12,936	16,939
Net Cash Provided By (Used For) Investing Activities	4,003	12,936	16,939
Net Change in Cash and Short-Term Investments	143,489	390,166	533,655
Cash and Short-Term Investments, Beginning of Year	(1,021,271)	2,636,651	1,615,380
Cash and Short-Term Investments, End of Year	\$ (877,782)	\$ 3,026,817	\$ 2,149,035
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ 277,394	\$ 277,038	\$ 554,432
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	408,325	1,198,491	1,606,816
Changes in assets and liabilities:			
User fees	120,120	186,626	306,746
Deferred outflows - related to pensions	(20,784)	97,156	76,372
Deferred outflows - related to OPEB	(19,072)	(1,597)	(20,669)
Accounts payable	(54,718)	65,502	10,784
Accrued liabilities	23,614	23,864	47,478
Compensated absences	(3,060)	5,571	2,511
Net pension liability	327,408	(290,954)	36,454
Net OPEB liability	109,933	(38,561)	71,372
Deferred inflows - related to pensions	42,943	11,646	54,589
Deferred inflows - related to OPEB	3,993	(7,555)	(3,562)
Net Cash Provided By (Used For) Operating Activities	\$ 1,216,096	\$ 1,527,227	\$ 2,743,323

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, 2020

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and short-term investments	\$ 2,957	\$ 1,461,971
Investments	<u>94,769</u>	<u>1,562,171</u>
Total Assets	97,726	3,024,142
Liabilities		
Accounts payable	-	1,046
Due to external parties	-	2,291,714
Other liabilities	<u>-</u>	<u>731,382</u>
Total Liabilities	<u>-</u>	<u>\$ 3,024,142</u>
Net Position		
Restricted for individual organizations and other governments	<u>97,726</u>	
Total Net Position	<u>\$ 97,726</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, 2020

	<u>Private Purpose Trust Funds</u>
Additions	
Miscellaneous revenue	\$ <u>4,123</u>
Total additions	4,123
Deductions	
Other	<u>2,000</u>
Total deductions	<u>2,000</u>
Net increase (decrease)	2,123
Net position restricted for other purposes	
Beginning of year	<u>95,603</u>
End of year	\$ <u><u>97,726</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:

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 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 inter-governmental 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.

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 *nonexpendable permanent trust fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used to support governmental programs for the benefit of residents.

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.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, 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".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the State Banking Commission. The portfolio meets the

requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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 are carried at fair value.

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”.

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.

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

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 and proprietary 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.

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.

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.

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

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 (i.e., legal level of control); 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, and fire fund.

3. Deposits and Investments

State statutes (RSA 48:16 for Cities and Towns) place certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH Banks or banks outside the State if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

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, 2020, \$546,954 of the Town's bank balance of \$33,743,702 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Equity exchange traded products	\$ 4,712,613
Fixed income exchange traded products	<u>2,341,516</u>
Total investments	<u>\$ 7,054,129</u>

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, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, the \$7,054,129 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust or Agent</u>
Equity exchange traded products	\$ 4,712,613	\$ 4,712,613	-
Fixed income exchange traded products	<u>2,341,516</u>	<u>2,341,516</u>	
Total	<u>\$ 7,054,129</u>	<u>\$ 7,054,129</u>	<u>\$ -</u>

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings of the Equity exchange traded products and Fixed income exchange traded products were unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. 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.

As of June 30, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

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>1-5</u>	<u>6-10</u>	<u>11-15</u>
Fixed income exchange traded products	\$ <u>2,341,525</u>	\$ <u>659,731</u>	\$ <u>995,651</u>	\$ <u>686,143</u>
Total	\$ <u>2,341,525</u>	\$ <u>659,731</u>	\$ <u>995,651</u>	\$ <u>686,143</u>

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.

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.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Equity exchange traded products	\$ 4,712,613	\$ 4,712,613	\$ -	\$ -
Fixed income exchange traded products	<u>2,341,516</u>	2,341,516	-	-
Total	<u>\$ 7,054,129</u>			

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

4. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of June 30, 2020.

5. 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 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at June 30, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 4,303,035	\$ -	\$ 4,024,906	\$ 278,129
Tax liens	<u>251,650</u>	<u>(25,165)</u>	<u>-</u>	<u>226,485</u>
Total property taxes	\$ <u>4,554,685</u>	\$ <u>(25,165)</u>	\$ <u>4,024,906</u>	\$ <u>504,614</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.

6. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Governmental Funds:			
General Fund	\$ 190,464	\$ -	\$ 190,464
Ambulance	97,130	(50,000)	47,130
Business-Type Funds:			
Water	<u>759,677</u>	<u>-</u>	<u>759,677</u>
Total	\$ <u>1,047,271</u>	\$ <u>(50,000)</u>	\$ <u>997,271</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

8. Interfund Fund Accounts

Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,221,531	\$ 741,731
Fire Fund	55,415	88,510
Non Expendable Fund	-	232,343
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	207,433	-
Conservation	5,550	-
Housing	-	150,000
Parking	-	174,955
Permanent Funds:		
Expendable	13,452	-
Capital Project Funds	<u>3,090</u>	<u>-</u>
Subtotal Nonmajor Funds	229,525	324,955
 <u>Business-Type Funds:</u>		
Water Fund	-	68,932
Water Reclamation Fund	<u>-</u>	<u>50,000</u>
Subtotal Business-Type Funds	<u>-</u>	<u>118,932</u>
Grand Total	<u>\$ 1,506,471</u>	<u>\$ 1,506,471</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.

9. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,600,406	\$ 1,148,383	\$ (1,269,642)	\$ 16,479,147
Machinery, equipment, and furnishings	4,293,889	430,902	(316,539)	4,408,252
Vehicles	6,661,810	1,534,700	(842,462)	7,354,048
Infrastructure	<u>52,867,884</u>	<u>1,341,496</u>	<u>-</u>	<u>54,209,380</u>
Total capital assets, being depreciated	80,423,989	4,455,481	(2,428,643)	82,450,827
Less accumulated depreciation for:				
Buildings and improvements	(7,164,946)	(492,844)	321,604	(7,336,186)
Machinery, equipment, and furnishings	(1,768,466)	(344,807)	289,881	(1,823,392)
Vehicles	(4,318,630)	(358,850)	799,169	(3,878,311)
Infrastructure	<u>(37,317,531)</u>	<u>(1,412,272)</u>	<u>-</u>	<u>(38,729,803)</u>
Total accumulated depreciation	<u>(50,569,573)</u>	<u>(2,608,773)</u>	<u>1,410,654</u>	<u>(51,767,692)</u>
Total capital assets, being depreciated, net	29,854,416	1,846,708	(1,017,989)	30,683,135
Capital assets, not being depreciated:				
Land	4,647,666	-	(144,244)	4,503,422
Construction in progress	<u>48,528</u>	<u>20,000</u>	<u>(48,528)</u>	<u>20,000</u>
Total capital assets, not being depreciated	<u>4,696,194</u>	<u>20,000</u>	<u>(192,772)</u>	<u>4,523,422</u>
Governmental activities capital assets, net	<u>\$ 34,550,610</u>	<u>\$ 1,866,708</u>	<u>\$ (1,210,761)</u>	<u>\$ 35,206,557</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,393,776	\$ 177,068	\$ -	\$ 13,570,844
Machinery, equipment, and furnishings	12,285,134	461,136	(21,939)	12,724,331
Vehicles	479,303	36,784	(17,324)	498,763
Infrastructure	<u>12,967,579</u>	<u>125,308</u>	<u>-</u>	<u>13,092,887</u>
Total capital assets, being depreciated	39,125,792	800,296	(39,263)	39,886,825
Less accumulated depreciation for:				
Buildings and improvements	(6,250,660)	(515,057)	-	(6,765,717)
Machinery, equipment, and furnishings	(5,176,236)	(786,901)	21,939	(5,941,198)
Vehicles	(235,371)	(36,619)	17,324	(254,666)
Infrastructure	<u>(4,979,438)</u>	<u>(268,239)</u>	<u>-</u>	<u>(5,247,677)</u>
Total accumulated depreciation	<u>(16,641,705)</u>	<u>(1,606,816)</u>	<u>39,263</u>	<u>(18,209,258)</u>
Total capital assets, being depreciated, net	22,484,087	(806,520)	-	21,677,567
Capital assets, not being depreciated:				
Land	390,582	-	-	390,582
Construction in progress	<u>125,999</u>	<u>159,368</u>	<u>(126,000)</u>	<u>159,367</u>
Total capital assets, not being depreciated	<u>516,581</u>	<u>159,368</u>	<u>(126,000)</u>	<u>549,949</u>
Business-type activities capital assets, net	<u>\$ 23,000,668</u>	<u>\$ (647,152)</u>	<u>\$ (126,000)</u>	<u>\$ 22,227,516</u>

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

Governmental Activities:	
General government	\$ 89,367
Public safety	707,338
Highway and streets	1,717,828
Culture and recreation	<u>94,240</u>
Total depreciation expense - governmental activities	<u>\$ 2,608,773</u>
Business-Type Activities:	
Water	\$ 408,325
Water reclamation	<u>1,198,491</u>
Total depreciation expense - business-type activities	<u>\$ 1,606,816</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent 2020 expenses paid in 2021.

12. Tax Refunds Payable

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

13. 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.

14. 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 outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Dresden Regional School District - Property Option	0.00%	04/16/04	08/10/23	\$ <u>400,000</u>
Total				\$ <u>400,000</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Dresden Regional School District - Property Option	\$ <u>500,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>400,000</u>
Total	\$ <u>500,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>400,000</u>

15. 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, 2020:

<u>Fiscal Year</u>	<u>Governmental</u>	
	<u>Capital Leases</u>	<u>Operating Leases</u>
2021	\$ 170,033	\$ 7,008
2022	170,031	7,008
2023	37,499	2,338
2024	24,762	-
2025	<u>24,762</u>	<u>-</u>
Total payments	427,087	16,354
Less amounts representing interest	<u>27,487</u>	<u>-</u>
Present Value of Minimum Lease Payments	\$ <u>399,600</u>	\$ <u>16,354</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2020:

	Governmental <u>Activities</u>
Machinery, vehicles, and equipment	\$ 799,616
Less: accumulated depreciation	<u>(36,626)</u>
Equipment under capital leases, net	<u>\$ 762,990</u>

16. Long-Term Debt

General Obligation Bonds and Loans

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

<u>Governmental Activities</u>				Amount Outstanding as of <u>6/30/20</u>
<u>General Obligation Bonds</u>	Original Issue	Serial Maturities Through	Interest Rate(s) %	
Public offerings:				
1999 Parking Facility	\$ 5,100,000	01/15/29	4.00-4.90%	\$ 2,335,000
2003 Community Center	1,500,000	01/15/23	4.25-4.90%	<u>225,000</u>
Total general obligation bonds				<u>\$ 2,560,000</u>
<u>Business-Type Activities</u>				Amount Outstanding as of <u>6/30/20</u>
<u>Direct Borrowings</u>	Original Issue	Serial Maturities Through	Interest Rate(s) %	
SRF Loan - Water	\$ 4,035,000	02/01/22	2.22%	\$ 560,234
SRF Loan - Water	6,493,081	10/01/27	3.35%	2,884,515
2008 SRF Loan - Sewer	2,963,955	12/01/27	3.49%	1,185,579
SRF Loan - Water Pollution	1,722,721	08/01/26	2.91%	463,302
SRF Loan - Water Pollution	4,235,000	07/01/27	2.55%	<u>2,456,307</u>
Total direct borrowings				<u>\$ 7,549,937</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 290,000	\$ 124,937
2022	300,000	111,017
2023	310,000	96,411
2024	245,000	81,278
2025	255,000	69,336
2026-2030	<u>1,160,000</u>	<u>145,284</u>
Total	<u>\$ 2,560,000</u>	<u>\$ 628,263</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, 2020:

General fund	\$ 225,000
Parking fund	<u>2,335,000</u>
Total	<u>\$ 2,560,000</u>

<u>Business-Type</u>	<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,122,533	\$ 258,963
2022	1,137,817	197,347
2023	881,677	170,891
2024	903,612	143,786
2025	926,214	116,016
2026 - 2029	<u>2,578,084</u>	<u>174,437</u>
Total	<u>\$ 7,549,937</u>	<u>\$ 1,061,440</u>

Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable:						
Public offerings	\$ 2,840,000	\$ -	\$ (280,000)	\$ 2,560,000	\$ (290,000)	\$ 2,270,000
Net pension liability	16,022,231	-	(983,783)	15,038,448	-	15,038,448
Net OPEB liability	3,791,357	262,632	-	4,053,989	-	4,053,989
Dresden Regional School District	500,000	-	(100,000)	400,000	(100,000)	300,000
Compensated absences	2,334,022	69,893	-	2,403,915	(240,336)	2,163,579
Capital leases	368,000	187,921	(156,321)	399,600	(156,377)	243,223
Total	\$ 25,855,610	\$ 520,446	\$ (1,520,104)	\$ 24,855,952	\$ (786,713)	\$ 24,069,239
Business-Type Activities						
Loans payable (direct borrowings)	\$ 8,642,065	\$ -	\$ (1,092,128)	\$ 7,549,937	\$ (1,122,533)	\$ 6,427,404
Net pension liability	1,868,109	36,454	-	1,904,563	-	1,904,563
Net OPEB liability	442,051	71,371	-	513,422	-	513,422
Compensated absences	150,141	2,511	-	152,652	(15,265)	137,387
Capital leases	224,091	-	(72,804)	151,287	(74,690)	76,597
Total	\$ 11,326,457	\$ 110,336	\$ (1,164,932)	\$ 10,271,861	\$ (1,212,488)	\$ 9,059,373

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans 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 funds.

17. 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.

18. 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, 2020:

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, 2020:

	General Fund	Fire Fund	Non Expendable Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenditures	\$ 35,298	\$ -	\$ -	\$ -	\$ 35,298
Nonexpendable permanent funds:					
Bressett memorial fund	-	-	5,018,278	-	5,018,278
Cemetery perpetual care	-	-	193,571	-	193,571
Town of Hanover land and capital improvement	-	-	122,177	-	122,177
Other trust funds	-	-	77,416	-	77,416
Total Nonspendable	35,298	-	5,411,442	-	5,446,740
Restricted					
Fire fund	-	544,823	-	-	544,823
Parking fund	-	-	-	-	-
Special revenue funds:					
Ambulance fund	-	-	-	161,258	161,258
Conservation fund	-	-	-	376,097	376,097
Housing fund	-	-	-	245,196	245,196
Other special revenue funds	-	-	-	313,584	313,584
Expendable permanent funds	-	-	-	270,724	270,724
Total Restricted	-	544,823	-	1,366,859	1,911,682
Committed					
Capital reserve funds	2,019,521	-	-	-	2,019,521
Capital project funds	-	-	-	811,029	811,029
Reserved for expenditures	430,000	-	-	-	430,000
Total Committed	2,449,521	-	-	811,029	3,260,550
Assigned					
Encumbrances:					
General government	486,561	-	-	-	486,561
Public safety	95,377	-	-	-	95,377
Highways and streets	655,694	-	-	-	655,694
Culture and recreation	4,742	-	-	-	4,742
Conservation	15,805	-	-	-	15,805
Total Assigned	1,258,179	-	-	-	1,258,179
Unassigned					
General fund	936,465	-	-	-	936,465
Capital project fund - deficit	-	-	-	(110,699)	(110,699)
Total Unassigned	936,465	-	-	(110,699)	825,766
Total Fund Balance	\$ 4,679,463	\$ 544,823	\$ 5,411,442	\$ 2,067,189	\$ 12,702,917

19. 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	\$ 936,465
Unavailable revenue	56,722
Reserve for special purposes	1,258,179
Reserve for prepaids	35,298
Other	<u>(172,514)</u>
Tax Rate Setting balance	<u>\$ 2,114,150</u>

20. 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).

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.

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 Service</u>	<u>Minimum Age</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	21	46	2.4%
At least 6 but less than 8 years	22	47	2.3%
At least 4 but less than 6 years	23	48	2.2%
Less than 4 years	24	49	2.1%

Contributions

Plan members are required to contribute a percentage of their Earnable Compensation 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 10.88% to 26.43% of covered compensation. The Town's contribution to the System for the year ended June 30, 2020 was \$1,503,744, which was equal to its annual required contribution.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$16,943,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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 the most recent measurement date of June 30, 2019, the Town's proportion was 0.35212448%, which was a decrease of 0.01941424% from its previous year proportion.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,910,167. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 93,680	\$ (364,322)
Changes of assumptions	607,909	-
Differences between projected and actual earnings on pension plan investments	-	(138,400)
Changes in proportion and differences between contributions and proportionate share of contributions	362,611	(774,850)
Contributions subsequent to the measurement date	<u>1,503,744</u>	<u>-</u>
Total	<u>\$ 2,567,944</u>	<u>\$ (1,277,572)</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 2021. 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:

2021	\$ 500,564
2022	(369,774)
2023	(233,371)
2024	<u>(110,791)</u>
Total	<u>\$ (213,372)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50% per year
Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of 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.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

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 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	9.00	1.12%
Global Multi-Sector Fixed Income	10.00	2.46%
Absolute Return Fixed Income	<u>6.00</u>	1.50%
Total fixed income	25.00	
Private equity	10.00	7.90%
Private debt	<u>5.00</u>	4.86%
Total alternative investments	<u>15.00</u>	
Real estate	<u>10.00</u>	3.00%
Total	<u><u>100.00</u></u> %	

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.

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>
\$ 22,687,394	\$ 16,943,011	\$ 12,195,329

Pension Plan Fiduciary Net Position

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

21. 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.

Town OPEB Plan

All the following OPEB disclosures for the Town OPEB Plan are based on a measurement date of June 30, 2020.

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	18
Active employees	<u>141</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	2.40%
Discount rate	2.21%
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, 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. 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 \$3,093,329 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances, beginning of year	\$ 2,610,157
Changes for the year:	
Service cost	118,134
Interest	93,951
Changes in assumptions or other inputs	359,026
Benefit payments	<u>(87,939)</u>
Net Changes	<u>483,172</u>
Balances, end of year	<u>\$ 3,093,329</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2019 to 2.21% in 2020. 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% Decrease	Current Discount Rate	1% Increase
	<u>1.21%</u>	<u>2.21%</u>	<u>3.21%</u>
\$	3,392,547	\$ 3,093,329	\$ 2,824,310

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% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	<u>7.00%</u>	<u>8.00%</u>	9.00%
\$	2,725,129	\$ 3,093,329	\$ 3,532,036

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$216,038. At June 30, 2020, 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>495,802</u>	\$ <u>(269,523)</u>
Total	\$ <u><u>495,802</u></u>	\$ <u><u>(269,523)</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>	
2021	\$ 3,953
2022	3,953
2023	21,706
2024	38,894
2025	42,866
Thereafter	<u>114,907</u>
Total	\$ <u><u>226,279</u></u>

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 Officers 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 0.29% of gross payroll for Group I employees, and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. 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

Actuarial assumptions are the same in the Retirement System footnote.

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, 2019 was \$1,474,082, representing 0.33623273%.

For the year ended June 30, 2020, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$140,407. At June 30, 2020, 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	\$ 139,421	\$ -
Difference between expected and actual experience	-	(2,565)
Changes in proportion	-	(8,911)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(1,656)</u>
Total	<u>\$ 139,421</u>	<u>\$ (13,132)</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, 2021.

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>	
2021	\$ (12,574)
2022	(1,099)
2023	114
2024	<u>427</u>
Total	\$ <u>(13,132)</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% Decrease	Current Discount Rate	1% Increase
<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
\$ 1,598,866	\$ 1,474,082	\$ 1,365,652

Healthcare Cost Trend Rate

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

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, 2020:

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred (Inflows) of Resources	Total OPEB Expense
Town OPEB Plan	\$ 3,093,329	\$ 495,802	\$ (269,523)	\$ 216,038
Proportionate share of NHRS Medical Subsidy Plan	<u>1,474,082</u>	<u>139,421</u>	<u>(13,132)</u>	<u>140,407</u>
Total	\$ <u>4,567,411</u>	\$ <u>635,223</u>	\$ <u>(282,655)</u>	\$ <u>356,445</u>

22. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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 \$1,258,179 in encumbrances that will be honored in the next fiscal year.

23. Beginning Fund Balance reclassification

The beginning (July 1, 2019) fund balance of the Town has been reclassified as follows:

Fund Basis Financial Statements:

	Nonmajor Governmental Funds	Non Expendable Fund	Parking Fund
As previously reported	\$ 7,476,669	\$ -	\$ 969,491
To reclassify permanent trust fund as a major fund	(5,279,531)	5,279,531	
To reclassify parking fund as nonmajor	<u>969,491</u>	<u>-</u>	<u>(969,491)</u>
As reclassified	<u>\$ 3,166,629</u>	<u>\$ 5,279,531</u>	<u>\$ -</u>

24. 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, 2021. 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, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the 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, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 9,463,564	\$ 9,463,564	\$ 8,014,759	\$ (1,448,805)
Penalties, interest, and other taxes	200,181	200,181	220,403	20,222
Charges for services	1,669,200	1,669,200	1,535,649	(133,551)
Intergovernmental	892,068	892,068	929,711	37,643
Licenses and permits	2,254,150	2,254,150	2,352,793	98,643
Investment income	318,000	318,000	279,212	(38,788)
Miscellaneous	83,280	83,280	91,610	8,330
Total Revenues	14,880,443	14,880,443	13,424,137	(1,456,306)
Expenditures				
General government	5,649,902	5,649,902	5,745,543	(95,641)
Public safety	3,187,990	3,187,990	3,189,116	(1,126)
Highway and streets	3,562,283	3,562,283	3,257,851	304,432
Sanitation	238,308	238,308	352,881	(114,573)
Health and human services	387,562	387,562	400,923	(13,361)
Welfare	26,455	26,455	13,414	13,041
Culture and recreation	2,627,172	2,627,172	2,354,602	272,570
Conservation	32,500	32,500	5,343	27,157
Debt service	184,774	184,774	184,774	-
Total Expenditures	15,896,946	15,896,946	15,504,447	392,499
Excess (deficiency) of revenues over expenditures	(1,016,503)	(1,016,503)	(2,080,310)	(1,063,807)
Other Financing Sources/Uses				
Transfers in	1,108,810	1,108,810	1,028,259	(80,551)
Transfers out	(935,304)	(935,304)	(947,612)	(12,308)
Use of fund balance	842,997	842,997	842,997	-
Total Other Financing Sources/Uses	1,016,503	1,016,503	923,644	(92,859)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (1,156,666)	\$ (1,156,666)

See Independent Auditors' Report.

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 3,333,283	\$ 3,333,283	\$ 3,272,417	\$ (60,866)
Penalties, interest, and other taxes	24,570	24,570	24,570	-
Charges for services	248,356	248,356	149,169	(99,187)
Contributions	12,684	12,684	12,465	(219)
Total Revenues	3,618,893	3,618,893	3,458,621	(160,272)
Expenditures				
Public safety	3,724,883	3,724,883	3,514,633	210,250
Total Expenditures	3,724,883	3,724,883	3,514,633	210,250
Excess (deficiency) of revenues over expenditures	(105,990)	(105,990)	(56,012)	49,978
Other Financing Sources/Uses				
Transfers in	67,000	67,000	55,415	11,585
Transfers out	(88,510)	(88,510)	(88,510)	-
Use of fund balance	127,500	127,500	127,500	-
Total Other Financing Sources/Uses	105,990	105,990	94,405	11,585
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 38,393	\$ 38,393

See Independent Auditors' Report.

**Notes to the Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on page 54 represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 13,467,158	\$ 15,466,950	\$ 667,721
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,032,761)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,258,179	-
Recognize use of fund balance as funding source	-	-	842,997
To eliminate capital reserve activity	(43,021)	-	(399,153)
To reverse the effect of capital lease proceeds	-	(187,921)	(187,921)
Budgetary basis	<u>\$ 13,424,137</u>	<u>\$ 15,504,447</u>	<u>\$ 923,644</u>

See Independent Auditors' Report.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(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, 2020	June 30, 2019	0.35212448%	\$ 16,943,011	\$ 9,158,574	185.00%	65.59%
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

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	June 30, 2019	\$ 1,503,744	\$ 1,503,744	\$ -	\$ 9,276,905	16.21%
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
Schedules of Proportionate Share and Contributions of the Net OPEB Liability

(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, 2020	June 30, 2019	0.33623273%	\$1,474,082	\$ 9,158,574	16.10%	7.75%
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, 2020	June 30, 2019	\$139,421	\$139,421	\$ -	\$9,276,905	1.50%
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)
Schedule of Changes in the Total OPEB Liability

(Unaudited)

Hanover OPEB Plan *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 118,134	\$ 102,680	\$ 104,375
Interest	93,951	98,463	89,997
Differences between expected and actual experience	-	(216,139)	-
Changes of assumptions	359,026	230,909	(68,394)
Benefit payments, including refunds of member contributions	<u>(87,939)</u>	<u>(94,689)</u>	<u>(93,081)</u>
Net change in total OPEB liability	483,172	121,224	32,897
Total OPEB liability - beginning	<u>2,610,157</u>	<u>2,488,933</u>	<u>2,456,036</u>
Total OPEB liability - ending	<u>\$ 3,093,329</u>	<u>\$ 2,610,157</u>	<u>\$ 2,488,933</u>
Covered employee payroll	\$ 9,276,905	\$ 9,158,574	\$ 9,382,153
Total OPEB liability as a percentage of covered employee payroll	33.34%	28.50%	26.53%

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.