

**TOWN OF HANOVER,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

**TOWN OF HANOVER, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

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## **PLODZIK & SANDERSON**

*Professional Association/Certified Public Accountants*

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### ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Selectboard  
Town of Hanover  
Hanover, New Hampshire

#### **Report on the Financial Statements**

##### ***Adverse and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the Town of Hanover as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

##### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-type Activities	Adverse
General Fund	Unmodified
Fire Fund	Unmodified
Parking Fund	Unmodified
Permanent Fund	Unmodified
Proprietary Funds:	
Water Fund	Adverse
Water Reclamation Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

##### ***Adverse Opinions on Governmental Activities, Business-type Activities, and Each Major Proprietary Fund***

In our opinion, because of the significance of the matters described in the "Matters Giving Rise to Adverse Opinions on Governmental Activities, Business-type Activities, and Each Major Proprietary Fund" paragraphs, the financial statements referred to above do not present fairly the financial position of the governmental activities, business-type activities, and each major proprietary fund of the Town of Hanover, as of June 30, 2022, or the changes in financial position and here applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Unmodified Opinions on Each Major Governmental Fund and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and aggregate remaining fund information of the Town of Hanover as of June 30, 2022, the respective changes in financial position, and the respective budgetary comparisons for the general fund, fire fund, and parking fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Adverse and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Town of Hanover and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Town of Hanover**  
**Independent Auditor's Report**

***Matter Giving Rise to Adverse Opinions on Governmental Activities, Business-type Activities, and Each Major Proprietary Fund***

As discussed in Note 1-B to the financial statements, management has not updated its capital assets and related accumulated depreciation in the governmental activities, business-type activities, and each major proprietary fund, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and each major proprietary fund. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and each major proprietary fund is not reasonably determinable.

***Responsibilities of Management for the Financial Statements***

The Town of Hanover's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hanover's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Hanover's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Hanover's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Change in Accounting Principle***

As discussed in Note 2-E to the financial statements, in fiscal year 2022 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

**Town of Hanover**  
**Independent Auditor's Report**

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Management's Discussion and Analysis** – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

**Supplementary Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hanover's basic financial statements. The accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson  
Professional Association*

January 23, 2024  
Concord, New Hampshire

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Statement of Net Position**  
**June 30, 2022**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,870,373	\$ 2,377,405	\$ 15,247,778
Investments	8,391,664	1,170,960	9,562,624
Taxes receivables	14,303,417	-	14,303,417
Account receivables (net)	206,541	378,305	584,846
Intergovernmental receivable	-	665,897	665,897
Internal balances	57,823	(57,823)	-
Prepaid items	77,159	-	77,159
Tax deeded property, subject to resale	19,628	-	19,628
Other assets	73,200	-	73,200
Capital assets:			
Land and construction in progress	6,488,450	549,949	7,038,399
Other capital assets, net of depreciation	32,824,988	20,234,890	53,059,878
Total assets	<u>75,313,243</u>	<u>25,319,583</u>	<u>100,632,826</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts related to pensions	4,135,510	199,406	4,334,916
Amounts related to other postemployment benefits	548,033	39,959	587,992
Total deferred outflows of resources	<u>4,683,543</u>	<u>239,365</u>	<u>4,922,908</u>
<b>LIABILITIES</b>			
Accounts payable	545,461	75,447	620,908
Accrued salaries and benefits	291,394	-	291,394
Retainage payable	27,734	-	27,734
Accrued interest payable	30,908	156,580	187,488
Intergovernmental payable	2,342	-	2,342
Escrow and performance deposits	287,797	-	287,797
Long-term liabilities:			
Due within one year	503,967	881,677	1,385,644
Due in more than one year	22,686,080	5,787,178	28,473,258
Total liabilities	<u>24,375,683</u>	<u>6,900,882</u>	<u>31,276,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	21,018,962	-	21,018,962
Unavailable revenue - grants	860,034	-	860,034
Amounts related to pensions	5,029,739	242,524	5,272,263
Amounts related to other postemployment benefits	984,967	87,140	1,072,107
Total deferred inflows of resources	<u>27,893,702</u>	<u>329,664</u>	<u>28,223,366</u>
<b>NET POSITION</b>			
Net investment in capital assets	36,649,381	15,226,220	51,875,601
Restricted	5,604,648	-	5,604,648
Unrestricted	<u>(14,526,628)</u>	<u>3,102,182</u>	<u>(11,424,446)</u>
Total net position	<u>\$ 27,727,401</u>	<u>\$ 18,328,402</u>	<u>\$ 46,055,803</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Charges for Services		Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Expenses					
<b>Governmental activities:</b>						
General government	\$ 5,702,394	\$ 34,322	\$ 27,800	\$ (5,640,272)	\$ -	\$ (5,640,272)
Public safety	8,445,017	3,434,756	436,799	(4,573,462)	-	(4,573,462)
Highways and streets	4,118,757	-	225,337	(3,893,420)	-	(3,893,420)
Sanitation	237,062	4,677	2,640	(229,745)	-	(229,745)
Health	325,418	-	-	(325,418)	-	(325,418)
Welfare	126,142	-	-	(126,142)	-	(126,142)
Culture and recreation	2,609,889	736,224	22,626	(1,851,039)	-	(1,851,039)
Conservation	71,888	-	31,486	(40,402)	-	(40,402)
Interest on long-term debt	54,026	-	-	(54,026)	-	(54,026)
Total governmental activities	<u>21,690,593</u>	<u>4,209,979</u>	<u>746,688</u>	<u>(16,733,926)</u>	<u>-</u>	<u>(16,733,926)</u>
<b>Business-type activities:</b>						
Water	1,292,264	2,066,460	-	-	774,196	774,196
Water reclamation	2,603,952	2,633,812	21,030	-	50,890	50,890
Total business-type activities	<u>3,896,216</u>	<u>4,700,272</u>	<u>21,030</u>	<u>-</u>	<u>825,086</u>	<u>825,086</u>
Total	<u><u>\$ 25,586,809</u></u>	<u><u>\$ 8,910,251</u></u>	<u><u>\$ 767,718</u></u>	<u><u>(16,733,926)</u></u>	<u><u>825,086</u></u>	<u><u>(15,908,840)</u></u>
General revenues:						
Taxes:						
Property				14,476,366	-	14,476,366
Other				269,315	-	269,315
Motor vehicle permit fees				1,571,491	-	1,571,491
Licenses and other fees				603,792	-	603,792
Grants and contributions not restricted to specific programs				992,190	-	992,190
Unrestricted investment earnings				128,066	2,321	130,387
Miscellaneous				311,903	9,474	321,377
Total general revenues				<u>18,353,123</u>	<u>11,795</u>	<u>18,364,918</u>
Unrealized loss on investments				<u>(816,665)</u>	<u>-</u>	<u>(816,665)</u>
Gain on sale of property				<u>-</u>	<u>305</u>	<u>305</u>
Total general revenues, contributions, and transfers				<u>17,536,458</u>	<u>12,100</u>	<u>17,548,558</u>
Change in net position				<u>802,532</u>	<u>837,186</u>	<u>1,639,718</u>
Net position, beginning, as restated (see Note 17)				<u>26,924,869</u>	<u>17,491,216</u>	<u>44,416,085</u>
Net position, ending				<u><u>\$ 27,727,401</u></u>	<u><u>\$ 18,328,402</u></u>	<u><u>\$ 46,055,803</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2022**

	General	Fire	Parking	Permanent	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 11,323,955	\$ 741,782	\$ -	\$ 339,222	\$ 465,414	\$ 12,870,373
Investments	2,755,455	-	-	5,265,681	370,528	8,391,664
Receivables, net of allowance for uncollectable:						
Taxes	14,303,417	-	-	-	-	14,303,417
Accounts	127,618	-	-	-	78,923	206,541
Interfund receivable	519,149	61,611	-	-	322,340	903,100
Prepaid items	77,159	-	-	-	-	77,159
Tax deeded property, subject to resale	19,628	-	-	-	-	19,628
Other assets	73,200	-	-	-	-	73,200
Total assets	<u>\$ 29,199,581</u>	<u>\$ 803,393</u>	<u>\$ -</u>	<u>\$ 5,604,903</u>	<u>\$ 1,237,205</u>	<u>\$ 36,845,082</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 465,219	\$ 31,478	\$ 16,645	\$ -	\$ 32,119	\$ 545,461
Accrued salaries and benefits	291,394	-	-	-	-	291,394
Retainage payable	27,734	-	-	-	-	27,734
Intergovernmental payable	2,342	-	-	-	-	2,342
Interfund payable	383,951	-	300,110	255	160,961	845,277
Escrow and performance deposits	287,797	-	-	-	-	287,797
Total liabilities	<u>1,458,437</u>	<u>31,478</u>	<u>316,755</u>	<u>255</u>	<u>193,080</u>	<u>2,000,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	21,076,709	-	-	-	-	21,076,709
Unavailable revenue - grants	259,482	-	-	-	600,552	860,034
Total deferred inflows of resources	<u>21,336,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,552</u>	<u>21,936,743</u>
<b>FUND BALANCES</b>						
Nonspendable	96,787	-	-	5,501,060	-	5,597,847
Restricted	-	-	-	103,588	-	103,588
Committed	1,952,460	771,915	-	-	533,291	3,257,666
Assigned	500,700	-	-	-	-	500,700
Unassigned	3,855,006	-	(316,755)	-	(89,718)	3,448,533
Total fund balances	<u>6,404,953</u>	<u>771,915</u>	<u>(316,755)</u>	<u>5,604,648</u>	<u>443,573</u>	<u>12,908,334</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,199,581</u>	<u>\$ 803,393</u>	<u>\$ -</u>	<u>\$ 5,604,903</u>	<u>\$ 1,237,205</u>	<u>\$ 36,845,082</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-2**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**June 30, 2022**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1) \$ 12,908,334

Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.

Cost	\$ 93,689,903
Less accumulated depreciation	<u>(54,376,465)</u>
	39,313,438

Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:

Deferred outflows of resources related to pensions	\$ 4,135,510
Deferred inflows of resources related to pensions	(5,029,739)
Deferred outflows of resources related to OPEB	548,033
Deferred inflows of resources related to OPEB	<u>(984,967)</u>
	(1,331,163)

Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.

Receivables	\$ (845,277)
Payables	<u>845,277</u>

Long-term revenue (taxes) is not available to pay current period expenditures, and therefore, is deferred in the governmental funds.

Interest on long-term debt is not accrued in governmental funds.	57,747
Accrued interest payable	(30,908)

Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.

Bonds	\$ 1,970,000
Notes/Loans	694,057
Compensated absences	2,383,489
Net pension liability	14,953,006
Other postemployment benefits	<u>3,189,495</u>
	(23,190,047)

Net position of governmental activities (Exhibit A)

\$ 27,727,401

**EXHIBIT C-3**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Governmental Funds**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*For the Fiscal Year Ended June 30, 2022*

	General	Fire	Parking	Permanent	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 11,254,982	\$ 3,555,659	\$ 85,298	\$ -	\$ -	\$ 14,895,939
Licenses and permits	2,175,283	-	-	-	-	2,175,283
Intergovernmental	1,065,790	67,109	-	-	348,620	1,481,519
Charges for services	1,610,785	131,390	1,883,664	-	584,140	4,209,979
Miscellaneous	461,534	26,292	-	88,753	120,749	697,328
Unrealized loss on investments	-	-	-	(816,665)	-	(816,665)
Total revenues	<u>16,568,374</u>	<u>3,780,450</u>	<u>1,968,962</u>	<u>(727,912)</u>	<u>1,053,509</u>	<u>22,643,383</u>
<b>EXPENDITURES</b>						
Current:						
General government	6,127,916	-	-	29,817	17,064	6,174,797
Public safety	2,795,382	3,438,406	1,589,660	-	1,247,501	9,070,949
Highways and streets	3,579,685	-	-	-	-	3,579,685
Sanitation	237,062	-	-	-	-	237,062
Health	325,418	-	-	-	-	325,418
Welfare	126,142	-	-	-	-	126,142
Culture and recreation	2,665,256	-	-	-	28,375	2,693,631
Conservation	33,913	-	-	-	38,632	72,545
Debt service:						
Principal	175,000	-	225,000	-	-	400,000
Interest	4,313	-	86,904	-	-	91,217
Capital outlay	68,910	-	-	-	623,125	692,035
Total expenditures	<u>16,138,997</u>	<u>3,438,406</u>	<u>1,901,564</u>	<u>29,817</u>	<u>1,954,697</u>	<u>23,463,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>429,377</u>	<u>342,044</u>	<u>67,398</u>	<u>(757,729)</u>	<u>(901,188)</u>	<u>(820,098)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	165,134	18,750	146,000	-	367,023	696,907
Transfers out	(531,773)	(82,567)	-	-	(82,567)	(696,907)
Note proceeds	-	-	-	-	319,674	319,674
Total other financing sources (uses)	<u>(366,639)</u>	<u>(63,817)</u>	<u>146,000</u>	<u>-</u>	<u>604,130</u>	<u>319,674</u>
Net change in fund balances	62,738	278,227	213,398	(757,729)	(297,058)	(500,424)
Fund balances (deficit), beginning, as restated (see Note 17)	6,342,215	493,688	(530,153)	6,362,377	740,631	13,408,758
Fund balances (deficit), ending	<u>\$ 6,404,953</u>	<u>\$ 771,915</u>	<u>\$ (316,755)</u>	<u>\$ 5,604,648</u>	<u>\$ 443,573</u>	<u>\$ 12,908,334</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT C-4**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**

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Amounts reported for governmental activities in the Statement of Activities  
 are different because:

Net change in fund balances of governmental funds (Exhibit C-3) \$ (500,424)

The net effect of various miscellaneous transactions involving capital assets  
 (i.e., sales and donations) is to decrease net position.

Transfers in and out between governmental funds are eliminated  
 on the Statement of Activities.

Transfers in	\$ (696,907)
Transfers out	<u>696,907</u>

Revenue in the Statement of Activities that does not provide current financial resources is not  
 reported as revenue in the governmental funds.

Change in deferred tax revenue	(150,258)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental  
 funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Repayment of long-term liabilities is an expenditure in the governmental funds, but the  
 repayment reduces long-term liabilities in the Statement of Net Position.

Proceeds of debt	\$ (319,674)
Repayment of bond principal	277,813
Repayment of note/loan principal	<u>300,000</u>
	258,139

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 governmental funds.

Decrease in accrued interest expense	\$ 37,191
Decrease in compensated absences payable	369,784
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	516,745
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>271,355</u>
	1,195,075

Changes in net position of governmental activities (Exhibit B)

\$ 802,532
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**EXHIBIT D-1**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 10,504,884	\$ 10,504,884	\$ 11,104,724	\$ 599,840
Licenses and permits	2,324,930	2,324,930	2,175,283	(149,647)
Intergovernmental	1,096,124	1,096,124	1,065,790	(30,334)
Charges for services	1,653,775	1,653,775	1,610,785	(42,990)
Miscellaneous	171,756	307,976	457,402	149,426
Total revenues	<u>15,751,469</u>	<u>15,887,689</u>	<u>16,413,984</u>	<u>526,295</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,287,255	6,423,475	5,783,565	639,910
Public safety	2,871,160	2,871,160	2,806,064	65,096
Highways and streets	3,450,043	3,450,043	3,561,843	(111,800)
Sanitation	265,523	265,523	237,062	28,461
Health	322,059	322,059	325,418	(3,359)
Welfare	116,441	116,441	126,142	(9,701)
Culture and recreation	2,673,695	2,673,695	2,665,256	8,439
Conservation	20,700	20,700	33,913	(13,213)
Debt service:				
Principal	175,000	175,000	175,000	-
Interest	4,312	4,312	4,313	(1)
Capital outlay	169,000	169,000	68,910	100,090
Total expenditures	<u>16,355,188</u>	<u>16,491,408</u>	<u>15,787,486</u>	<u>703,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(603,719)</u>	<u>(603,719)</u>	<u>626,498</u>	<u>1,230,217</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,296,453	1,296,453	899,953	(396,500)
Transfers out	(813,744)	(813,744)	(717,524)	96,220
Total other financing sources (uses)	<u>482,709</u>	<u>482,709</u>	<u>182,429</u>	<u>(300,280)</u>
Net change in fund balances	<u>\$ (121,010)</u>	<u>\$ (121,010)</u>	<u>808,927</u>	<u>\$ 929,937</u>
Decrease in nonspendable fund balance			11,551	
Unassigned fund balance, beginning, as restated (see Note 17)			3,092,275	
Unassigned fund balance, ending			<u>\$ 3,912,753</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D-2**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Fire Fund**  
**For the Fiscal Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 3,555,659	\$ 3,555,659	\$ -
Intergovernmental	-	67,109	67,109
Charges for services	141,346	131,390	(9,956)
Miscellaneous	30,372	26,292	(4,080)
Total revenues	<u>3,727,377</u>	<u>3,780,450</u>	<u>53,073</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>3,679,810</u>	<u>3,438,406</u>	<u>241,404</u>
Excess of revenues over expenditures	<u>47,567</u>	<u>342,044</u>	<u>294,477</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	35,000	18,750	(16,250)
Transfers out	(82,567)	(82,567)	-
Total other financing sources (uses)	<u>(47,567)</u>	<u>(63,817)</u>	<u>(16,250)</u>
Net change in fund balances	<u>\$ -</u>	<u>278,227</u>	<u>\$ 278,227</u>
Unassigned fund balance, beginning		493,688	
Unassigned fund balance, ending		<u>\$ 771,915</u>	

**EXHIBIT D-3**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**Parking Fund**  
**For the Fiscal Year Ended June 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 85,000	\$ 85,298	\$ 298
Charges for services	<u>1,648,415</u>	<u>1,883,664</u>	<u>235,249</u>
Total revenues	<u>1,733,415</u>	<u>1,968,962</u>	<u>235,547</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	1,567,511	1,589,660	(22,149)
Debt service:			
Principal	225,000	225,000	-
Interest	<u>86,904</u>	<u>86,904</u>	<u>-</u>
Total expenditures	<u>1,879,415</u>	<u>1,901,564</u>	<u>(22,149)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,000)</u>	<u>67,398</u>	<u>213,398</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>146,000</u>	<u>146,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>213,398</u>	<u>\$ 213,398</u>
Unassigned fund balance, beginning		<u>(530,153)</u>	
Unassigned fund balance, ending		<u>\$ (316,755)</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-1**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2022**

	Business-type Activities			Total Enterprise Funds	
	Enterprise Funds		Water Reclamation		
	Water	Reclamation			
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 2,377,405	\$ 2,377,405		
Investments	430,415	740,545	1,170,960		
Receivables, net of allowance for uncollectible:					
Accounts	378,305	-	378,305		
Intergovernmental	-	665,897	665,897		
Capital assets:					
Land and construction in progress	150,873	399,076	549,949		
Other capital assets, net of depreciation	9,200,764	11,034,126	20,234,890		
Total assets	<u>10,160,357</u>	<u>15,217,049</u>	<u>25,377,406</u>		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Amounts related to pensions	78,028	121,378	199,406		
Amounts related to other postemployment benefits	15,732	24,227	39,959		
Total deferred outflows of resources	<u>93,760</u>	<u>145,605</u>	<u>239,365</u>		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	16,090	59,357	75,447		
Accrued interest payable	81,610	74,970	156,580		
Internal balances	57,823	-	57,823		
Long term liabilities:					
Due within one year	374,104	507,573	881,677		
Due in more than one year	2,484,245	3,302,933	5,787,178		
Total liabilities	<u>3,013,872</u>	<u>3,944,833</u>	<u>6,958,705</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Amounts related to pensions	94,901	147,623	242,524		
Amounts related to other postemployment benefits	34,380	52,760	87,140		
Total deferred inflows of resources	<u>129,281</u>	<u>200,383</u>	<u>329,664</u>		
<b>NET POSITION</b>					
Net investment in capital assets	6,910,292	8,315,928	15,226,220		
Unrestricted	200,672	2,901,510	3,102,182		
Total net position	<u>\$ 7,110,964</u>	<u>\$ 11,217,438</u>	<u>\$ 18,328,402</u>		

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT E-2**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Proprietary Fund**  
*Statement of Revenues, Expenses, and Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2022*

	Business-type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water	Water Reclamation	
Operating revenues:			
User charges	\$ 1,953,757	\$ 2,633,812	\$ 4,587,569
Other sales	110,490	-	110,490
Fees and interest	2,213	-	2,213
Total operating revenues	<u>2,066,460</u>	<u>2,633,812</u>	<u>4,700,272</u>
Operating expenses:			
Salaries and wages	408,443	628,276	1,036,719
Operation and maintenance	577,614	1,426,581	2,004,195
Contractual services	95,892	88,112	184,004
Materials and supplies	86,051	358,676	444,727
Total operating expenses	<u>1,168,000</u>	<u>2,501,645</u>	<u>3,669,645</u>
Operating gain	<u>898,460</u>	<u>132,167</u>	<u>1,030,627</u>
Nonoperating revenue (expense):			
Interest income	849	1,472	2,321
Intergovernmental revenues	-	21,030	21,030
Gain on sale of property	305	-	305
Interest expense	(124,264)	(102,307)	(226,571)
Other	7,949	1,525	9,474
Total nonoperating revenues (expense)	<u>(115,161)</u>	<u>(78,280)</u>	<u>(193,441)</u>
Change in net position	<u>783,299</u>	<u>53,887</u>	<u>837,186</u>
Net position, beginning, as restated (see Note 17)	<u>6,327,665</u>	<u>11,163,551</u>	<u>17,491,216</u>
Net position, ending	<u><u>\$ 7,110,964</u></u>	<u><u>\$ 11,217,438</u></u>	<u><u>\$ 18,328,402</u></u>

**EXHIBIT E-3**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2022**

	Business-type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water	Reclamation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,649,678	\$ 2,662,918	\$ 4,312,596
Payments to employees	(401,349)	(511,302)	(912,651)
Payments to suppliers	(645,610)	(1,525,156)	(2,170,766)
Net cash provided by operating activities	<u>602,719</u>	<u>626,460</u>	<u>1,229,179</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
State Aid grants received	-	83,844	83,844
Principal paid on notes/loans	(446,964)	(498,418)	(945,382)
Interest paid	(124,264)	(102,307)	(226,571)
Net cash used for capital and related financing activities	<u>(571,228)</u>	<u>(516,881)</u>	<u>(1,088,109)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	(176,500)	(391,757)	(568,257)
Proceeds from sale of investments	144,160	375,000	519,160
Interest on investments	849	1,472	2,321
Net cash used for investing activities	<u>(31,491)</u>	<u>(15,285)</u>	<u>(46,776)</u>
Net increase in cash and cash equivalents	-	94,294	94,294
Cash and cash equivalents, beginning, as restated (see Note 17)	-	2,283,111	2,283,111
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 2,377,405</u>	<u>\$ 2,377,405</u>
<i>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities</i>			
Operating gain	<u>\$ 898,460</u>	<u>\$ 132,167</u>	<u>\$ 1,030,627</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Increase in accounts receivable	(76,032)	-	(76,032)
Decrease in intergovernmental receivables	-	29,106	29,106
Decrease in other receivables	23,799	-	23,799
Decrease in prepaid items	125,903	337,416	463,319
Decrease in deferred outflows related to pensions	26,940	24,411	51,351
Increase in deferred outflows related to OPEB	(5,059)	(9,403)	(14,462)
Increase/(Decrease) in accounts payable	(11,956)	10,797	(1,159)
Decrease in internal balances	(364,549)	-	(364,549)
Increase/(Decrease) in compensated absences	(21,971)	10,192	(11,779)
Decrease in net pension liability	(107,582)	(102,397)	(209,979)
Increase in OPEB liabilities	26,062	50,144	76,206
Increase in deferred inflows related to pensions	71,860	115,622	187,482
Increase in deferred inflows related to OPEB	16,844	28,405	45,249
Total adjustments	<u>(295,741)</u>	<u>494,293</u>	<u>198,552</u>
Net cash provided by operating activities	<u>\$ 602,719</u>	<u>\$ 626,460</u>	<u>\$ 1,229,179</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-1**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
***Fiduciary Funds***  
***Statement of Fiduciary Net Position***  
***June 30, 2022***

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	Private Purpose Trust	All Custodial Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,846	\$ 299,982	\$ 301,828
Investments	33,653	2,225,717	2,259,370
Intergovernmental receivables	-	1,240	1,240
Total assets	<u>35,499</u>	<u>2,526,939</u>	<u>2,562,438</u>
<b>LIABILITIES</b>			
Intergovernmental payables:			
School	-	1,240	1,240
<b>NET POSITION</b>			
Restricted	<u>\$ 35,499</u>	<u>\$ 2,525,699</u>	<u>\$ 2,561,198</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT F-2**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
***Fiduciary Funds***  
***Statement of Changes in Fiduciary Net Position***  
***For the Fiscal Year Ended June 30, 2022***

	Private Purpose Trust	All Custodial Funds	Total
<b>ADDITIONS</b>			
Investment earnings	\$ 902	\$ 28,484	\$ 29,386
Taxes collected for other governments	-	32,806,780	32,806,780
Motor vehicle permit fees collected	-	401,883	401,883
Unrealized loss on investments	<u>(8,202)</u>	<u>(251,900)</u>	<u>(260,102)</u>
Total additions	<u>(7,300)</u>	<u>32,985,247</u>	<u>32,977,947</u>
<b>DEDUCTIONS</b>			
Benefits paid	-	150,000	150,000
Administrative expenses	314	15,621	15,935
Payments of taxes to other governments	-	32,806,780	32,806,780
Payments of motor vehicle permit fees	-	401,883	401,883
Total deductions	<u>314</u>	<u>33,374,284</u>	<u>33,374,598</u>
Net increase in fiduciary net position	<u>(7,614)</u>	<u>(389,037)</u>	<u>(396,651)</u>
Net position, beginning, as restated (see Note 17)	<u>43,113</u>	<u>2,914,736</u>	<u>2,957,849</u>
Net position, ending	<u><u>\$ 35,499</u></u>	<u><u>\$ 2,525,699</u></u>	<u><u>\$ 2,561,198</u></u>

**TOWN OF HANOVER, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

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***TOWN OF HANOVER, NEW HAMPSHIRE***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***AS OF AND FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2022***

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**TOWN OF HANOVER, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Hanover, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

**1-A Reporting Entity**

The Town of Hanover is a municipal corporation governed by an elected 5-member Selectboard. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

**1-B Basis of Accounting and Measurement Focus**

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-wide Financial Statements** – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position, with the exception of the capital assets and related accumulated depreciation, which have been not updated because the Town does not have a complete and accurate historical listing. In addition, the long-term costs of retirement healthcare and obligations for other postemployment benefits for the Town's local liability have not been updated because the Town did not update its actuarial valuation. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. As in the Statement of Net Position, the Town has not recorded depreciation expense nor other postemployment benefit expense for the Town's local liability in this statement. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

**Governmental Fund Financial Statements** – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property

**TOWN OF HANOVER, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

**General Fund** – is the Town's primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants, and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, debt service, and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the expendable trust funds are consolidated in the general fund.

**Fire Fund** – accounts for the activities related to the operation and maintenance of the Town's three fire districts.

**Parking Fund** – accounts for the activities related to the operation and maintenance of the Town's parking garage and parking lots.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

Additionally, the Town reports the following fund types:

**Special Revenue Funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Capital Projects Fund** – is used to account for the financial resources and activities relating to specific construction projects.

**Permanent Fund** – is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports seven nonmajor governmental funds.

**Proprietary Fund Financial Statements** – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are reported using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary funds:

**Water Fund** – accounts for the activities related to the operation of the water treatment plant, wells, and water system. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the water expendable trust funds are consolidated in the water fund.

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**Water Reclamation Fund** – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the water reclamation expendable trust funds are consolidated in the water reclamation fund.

**Fiduciary Fund Financial Statements** – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town's fiduciary funds are private purpose trust and custodial funds. These funds are accounted for on a spending, or "economic resources" measurement focus and the accrual basis of accounting, as are the proprietary funds explained above.

The Town reports the following fiduciary funds:

**Private Purpose Trust Fund** – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

**Custodial Fund** – are custodial in nature and do not involve the measurement of operating results. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

#### **1-C Cash and Cash Equivalents**

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash 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 cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

#### **1-D Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

#### **1-E Investments**

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

**Fair Value Measurements of Investments** – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP.

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The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

**Level 1** – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

**Level 2** – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency.

**Level 3** – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

**Investments in Certain External Investment Pools** – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

#### **1-F Receivables**

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

#### **1-G Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The nonspendable fund balance at the governmental fund level is equal includes the amount of inventories at year-end to indicate the portion of the governmental fund balance that is nonspendable.

#### **1-H Capital Assets**

Capital assets are reported in the governmental and business-type activities in the government-wide financial statements as well as in the proprietary fund financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The Town has established a threshold of \$10,000 or more and an estimate useful life in excess of five years for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. However, since the Town does not have a complete and accurate capital asset list, no additions or disposals were recorded in the current year.

Capital assets of the Town are depreciated using the straight-line method. However, since the Town does not have a complete and accurate capital asset list, no depreciation expense was recorded in the current year.

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**1-I Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables** – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between governmental funds are eliminated in the Statement of Net Position.

**Interfund Transfers** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

**1-J Property Taxes**

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on June 4, 2021 and December 1, 2021, and were due on July 6, 2021 and January 4, 2022, respectively. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at June 30, 2022 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hanover School District, Dresden School District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2021 utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 2,673,893,419
Total assessment valuation without utilities	\$ 2,659,520,219

The tax rates and amounts assessed for the year ended June 30, 2022 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 4.00	\$ 10,672,744
School portion:		
State of New Hampshire	\$ 1.72	4,582,585
Local	\$ 8.95	23,932,792
County portion	\$ 1.60	4,291,403
Village portions:		
Fire District #1	\$ 1.37	2,657,565
Fire District #2	\$ 1.20	860,621
Fire District #3	\$ 0.54	11,535
Total	<u><u>\$ 19.38</u></u>	<u><u>\$ 47,009,245</u></u>

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***1-K Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2022.

***1-L Deferred Outflows/Inflows of Resources***

*Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide and proprietary fund Statements of Net Position for various estimate differences that will be amortized and recognized over future years.

*Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The Town has four types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide and proprietary fund Statements of Net Position for various estimate differences that will be amortized and recognized over future years. Deferred inflows related to property taxes consist of tax payments collected in advance and tax billings that are not due until the subsequent period. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

***1-M Compensated Absences***

General leave for the Town includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the Town's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the governmental fund and governmental activities presentations.

***1-N Long-term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary funds.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the Town utilizes the following classifications to categorize the financial transactions:

**Direct Borrowings** – financial transactions for a note or a loan where the Town negotiates certain terms with a single lender and are not offered for public sale.

**Direct Placements** – financial transactions for the sale of bonds where the Town engages with a single buyer or limited number of buyers without a public offering.

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**1-O Defined Benefit Pension Plan**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

**1-P Postemployment Benefits Other Than Pensions (OPEB)**

The Town maintains two separate other postemployment benefit plans, as follows:

**New Hampshire Retirement System Plan** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Single Employer Plan** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. The Town did not obtain an actuarial report updating the OPEB liability, deferred outflows of resources, and deferred inflows of resources in accordance with Government Accounting Standards Board pronouncement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The figures presented in the financial statements represent prior year values which have been carried forward.

**1-Q Net Position/Fund Balances**

**Government-wide Statements** – Equity is classified as net position and displayed in three components:

**Net investment in capital assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

**Unrestricted net position** – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

**Fund Balance Classifications** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

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**Restricted** – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the Town's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***1-R Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, useful lives and impairment of capital assets, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

#### ***1-S Material Change in Fund Classification***

The accompanying financial statements reflect changes in classification from the prior year. Specifically, the parking fund did qualify as a major fund for the current fiscal year. As such it was reclassified from the nonmajor governmental funds. In addition, the capital projects fund did not qualify as a major fund for the current fiscal and was reclassified to the nonmajor governmental funds.

### ***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

#### ***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general, fire, and parking governmental funds, water, and water reclamation proprietary funds, and nonmajor ambulance and capital project funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

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State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$50,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$71,010 was voted from unassigned fund balance to fund fiscal year 2023 appropriations.

**2-B Budgetary Reconciliation to GAAP Basis**

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis of accounting for the major fire and parking funds. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D-1 (budgetary basis)	\$ 17,313,937
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	4,132
To eliminate transfers between the general fund and blended expendable trust funds	(734,819)
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	150,258
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 16,733,508</u></u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 16,505,010
Adjustments:	
Basis differences:	
Encumbrances, beginning	852,211
Encumbrances, ending	(500,700)
GASB Statement No. 54:	
To eliminate transfers between the general fund and blended expendable trust funds	(185,751)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 16,670,770</u></u>

**2-C Municipal Budget Law Violation**

The parking fund had an excess of expenditures over appropriations for the year ended June 30, 2022 in the amount of \$22,149. The State Municipal Budget Law (RSA Chapter 32) provides for emergency spending procedures whereby monies may be expended in excess of an appropriation, thereby resulting in an over expenditure of total appropriations. There is no indication that these procedures were followed by the governing body in order not to incur a violation. Therefore, a budgetary violation did occur for the year ended June 30, 2022.

**2-D Deficit Fund Balances**

The parking fund had a deficit fund balance of \$316,755 at June 30, 2022. This deficit will be financed through future revenues of the fund. In addition, the nonmajor capital project fund had a deficit fund balance of \$89,718, which will be financed through future note issuances.

**2-E Accounting Change**

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for

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lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of implementation of this Statement, prior year capital leases payable were reclassified as notes payable. However, there was no restatement to the beginning net position or fund balance

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$15,549,606 and the bank balances totaled \$19,681,914.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 15,247,778
Cash per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	<u>301,828</u>
Total cash and cash equivalents	<u><u>\$ 15,549,606</u></u>

**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of June 30, 2022:

	Fair Value Hierarchy
	Level 1
Investments type:	
Equity exchange traded funds	\$ 4,476,364
Fixed income exchange traded funds	<u>2,491,556</u>
Total fair value of investments	<u>6,967,920</u>
Investments carried at amortized cost:	
NH Public Deposit Investment Pool	<u>4,854,074</u>
Total investments	<u><u>\$ 11,821,994</u></u>

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

**Credit Risk** - The Town has no formal policy on managing credit risk; however, state law limits investments as explained in Note 1-E.

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**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the Town's investments are held by third parties in the Town's name. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 9,562,624
Investments per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	2,259,370
Total investments	<u>\$ 11,821,994</u>

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2022. Taxes receivable by year are as follows:

Property:		
Levy of 2022	\$ 14,023,607	
Unredeemed (under tax lien):		
Levy of 2021	190,677	
Levy of 2020	82,505	
Yield	<u>6,628</u>	
Taxes receivable	<u><u>\$ 14,303,417</u></u>	

**NOTE 6 – OTHER RECEIVABLES**

Receivables at June 30, 2022, consisted of accounts (billings for water, ambulance, and other miscellaneous amounts) and intergovernmental amounts arising State Aid for projects, see additional information in Note 13. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2022 for the Town's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Governmental Funds		Proprietary Funds		Fiduciary Funds	
			General	Nonmajor	Water	Reclamation	All	
							Custodial Funds	
Receivables:								
Accounts	\$ 236,541	\$ 378,305	\$ 127,618	\$ 108,923	\$ 378,305	\$ -	\$ -	\$ -
Intergovernmental	-	665,897	-	-	-	665,897	1,240	1,240
Gross receivables	<u>236,541</u>	<u>1,044,202</u>	<u>127,618</u>	<u>108,923</u>	<u>378,305</u>	<u>665,897</u>	<u>1,240</u>	<u>1,240</u>
Less:								
Allowance for uncollectibles	(30,000)	-	-	(30,000)	-	-	-	-
Net total receivables	<u><u>\$ 206,541</u></u>	<u><u>\$ 1,044,202</u></u>	<u><u>\$ 127,618</u></u>	<u><u>\$ 78,923</u></u>	<u><u>\$ 378,305</u></u>	<u><u>\$ 665,897</u></u>	<u><u>\$ 1,240</u></u>	<u><u>\$ 1,240</u></u>

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**NOTE 7 – CAPITAL ASSETS**

The Town did not update its capital asset information for the year ended June 30, 2022. Prior year balances have been carried forward. Capital asset activity is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
<b>Governmental activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 6,468,450	\$ -	\$ -	\$ 6,468,450
Construction in progress	20,000	-	-	20,000
Total capital assets not being depreciated	<u>6,488,450</u>	<u>-</u>	<u>-</u>	<u>6,488,450</u>
Being depreciated:				
Buildings and building improvements	17,551,509	-	-	17,551,509
Vehicles	7,712,135	-	-	7,712,135
Machinery, equipment, and furnishings	5,158,581	-	-	5,158,581
Infrastructure	56,779,228	-	-	56,779,228
Total capital assets being depreciated	<u>87,201,453</u>	<u>-</u>	<u>-</u>	<u>87,201,453</u>
Total all capital assets	<u>93,689,903</u>	<u>-</u>	<u>-</u>	<u>93,689,903</u>
Less accumulated depreciation:				
Buildings and building improvements	(7,829,030)	-	-	(7,829,030)
Vehicles	(4,237,161)	-	-	(4,237,161)
Machinery, equipment, and furnishings	(2,168,199)	-	-	(2,168,199)
Infrastructure	(40,142,075)	-	-	(40,142,075)
Total accumulated depreciation	<u>(54,376,465)</u>	<u>-</u>	<u>-</u>	<u>(54,376,465)</u>
Net book value, capital assets being depreciated	<u>32,824,988</u>	<u>-</u>	<u>-</u>	<u>32,824,988</u>
Net book value, all governmental activities capital assets	<u>\$ 39,313,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,313,438</u>
<b>Business-type activities:</b>				
At cost:				
Not being depreciated:				
Land	\$ 390,582	\$ -	\$ -	\$ 390,582
Construction in progress	159,367	-	-	159,367
Total capital assets not being depreciated	<u>549,949</u>	<u>-</u>	<u>-</u>	<u>549,949</u>
Being depreciated:				
Buildings and building improvements	13,623,534	-	-	13,623,534
Vehicles	526,634	-	-	526,634
Machinery, equipment, and furnishings	12,743,439	-	-	12,743,439
Infrastructure	13,157,357	-	-	13,157,357
Total capital assets being depreciated	<u>40,050,964</u>	<u>-</u>	<u>-</u>	<u>40,050,964</u>
Total all capital assets	<u>40,600,913</u>	<u>-</u>	<u>-</u>	<u>40,600,913</u>
Less accumulated depreciation:				
Buildings and building improvements	(7,280,774)	-	-	(7,280,774)
Vehicles	(291,285)	-	-	(291,285)
Machinery, equipment, and furnishings	(6,728,099)	-	-	(6,728,099)
Infrastructure	(5,515,916)	-	-	(5,515,916)
Total accumulated depreciation	<u>(19,816,074)</u>	<u>-</u>	<u>-</u>	<u>(19,816,074)</u>
Net book value, capital assets being depreciated	<u>20,234,890</u>	<u>-</u>	<u>-</u>	<u>20,234,890</u>
Net book value, all business-type activities capital assets	<u>\$ 20,784,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,784,839</u>

The Town did not report any depreciation expense for the year ended June 30, 2022 as its capital asset information was not rolled forward.

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**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 57,823
Fire	General	61,611
General	Parking	300,110
General	Permanent	255
General	Nonmajor	160,961
Nonmajor	General	322,340
		<u>\$ 903,100</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers** - The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	Transfers In:				
	Governmental Funds				Total
	General	Fire	Parking	Nonmajor	
Transfers out:					
General fund	\$ -	\$ 18,750	\$ 146,000	\$ 367,023	\$ 531,773
Fire fund	82,567	-	-	-	82,567
Nonmajor fund	82,567	-	-	-	82,567
Total	<u>\$ 165,134</u>	<u>\$ 18,750</u>	<u>\$ 146,000</u>	<u>\$ 367,023</u>	<u>\$ 696,907</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources are as follows:

	Governmental	Business-type	Proprietary Funds	
	Activities	Activities	Water	Wastewater
Amounts related to pensions, see Note 11	\$ 4,135,510	\$ 199,406	\$ 78,028	\$ 121,378
Amounts related to OPEB, see Note 12	548,033	39,959	15,732	24,227
Total deferred outflows of resources	<u>\$ 4,683,543</u>	<u>\$ 239,365</u>	<u>\$ 93,760</u>	<u>\$ 145,605</u>

Deferred inflows of resources are as follows:

	Governmental	Governmental Funds	
	Activities	General	Nonmajor
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 57,747	\$ -
Property taxes collected in advance	1,240	1,240	-
Committed taxes not due until the subsequent fiscal year	21,017,722	21,017,722	-
Summer camp registrations not due until the subsequent fiscal year	199,248	199,248	-
Other miscellaneous amounts collected in advance	60,234	60,234	-
Grants received in advance of eligible expenditures	600,552	-	600,552
Amounts related to pensions, see Note 11	5,029,739	-	-
Amounts related to OPEB, see Note 12	984,967	-	-
Total deferred inflows of resources	<u>\$ 27,893,702</u>	<u>\$ 21,336,191</u>	<u>\$ 600,552</u>

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*Deferred inflows of resources continued:*

	Business-type Activities	Proprietary Funds	
		Water	Reclamation
Amounts related to pensions, see Note 11	\$ 242,524	\$ 94,901	\$ 147,623
Amounts related to OPEB, see Note 12	87,140	34,380	52,760
Total deferred inflows of resources	<u><u>\$ 329,664</u></u>	<u><u>\$ 129,281</u></u>	<u><u>\$ 200,383</u></u>

**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2022:

	Balance		Balance June 30, 2022	Due Within One Year	Due In More Than One Year
	July 1, 2021 (as restated)	Additions			
<b>Governmental activities:</b>					
Bonds payable:					
Direct placements	\$ 2,270,000	\$ -	\$ (300,000)	\$ 1,970,000	\$ 310,000
Notes/loans payable - direct borrowings	652,196	<u><u>319,674</u></u>	<u><u>(277,813)</u></u>	<u><u>694,057</u></u>	<u><u>151,727</u></u>
Total bonds/notes payable	2,922,196	319,674	(577,813)	2,664,057	461,727
Compensated absences	2,753,273	-	(369,784)	2,383,489	42,240
Net pension liability	20,719,770	-	(5,766,764)	14,953,006	-
Net other postemployment benefits	3,532,916	-	(343,421)	3,189,495	-
Total long-term liabilities	<u><u>\$ 29,928,155</u></u>	<u><u>\$ 319,674</u></u>	<u><u>\$ (7,057,782)</u></u>	<u><u>\$ 23,190,047</u></u>	<u><u>\$ 503,967</u></u>
<b>Business-type activities:</b>					
Notes/loans payable - direct borrowings	\$ 6,504,001	\$ -	\$ (945,382)	\$ 5,558,619	\$ 881,677
Compensated absences	166,064	10,192	(21,971)	154,285	-
Net pension liability	930,983	-	(209,979)	721,004	-
Net other postemployment benefits	158,741	78,602	(2,396)	234,947	-
Total long-term liabilities	<u><u>\$ 7,759,789</u></u>	<u><u>\$ 88,794</u></u>	<u><u>\$ (1,179,728)</u></u>	<u><u>\$ 6,668,855</u></u>	<u><u>\$ 881,677</u></u>
Long-term bonds/notes/loans are comprised of the following:					

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022	Current Portion
<b>Bonds payable:</b>						
Direct placements:						
Parking Facility	\$ 5,100,000	1999	2029	4.00-4.90%	\$ 1,895,000	\$ 235,000
Community Center	\$ 1,500,000	2003	2023	4.25-4.90%	75,000	75,000
					<u><u>1,970,000</u></u>	<u><u>310,000</u></u>
<b>Notes/loans payable - direct borrowing:</b>						
Dresden School District - Property Option	\$ 2,000,000	2004	2024	0.00%	200,000	100,000
Surveillance Equipment	\$ 49,725	2020	2023	4.99%	12,132	12,132
Trackless MT7 Sidewalk Machine	\$ 138,196	2020	2025	2.99%	70,055	22,667
Wheel Loader	\$ 125,600	2021	2025	4.50%	92,196	16,928
Bridge repairs and renovations	\$ 950,000	2021	2041	2.04%	319,674	-
Total direct borrowings					<u><u>\$ 694,057</u></u>	<u><u>\$ 151,727</u></u>

\*  
(Continued)

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*Long-term bonds/notes/loans continued:*

**Business-type activities:**

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022	Current Portion
Notes/loans payable - direct borrowing:						
SRF Loan - Water	\$ 6,493,081	2007	2027	3.35%	2,441,344	374,104
2008 SRF Loan - Sewer	\$ 2,963,955	2008	2027	3.49%	889,186	148,198
SRF Loan - Water Pollution	\$ 1,722,721	2012	2026	2.91%	340,280	64,209
SRF Loan - Water Pollution	\$ 4,235,000	2012	2027	2.55%	1,887,809	295,166
Total direct borrowings					\$ 5,558,619	\$ 881,677

\* As of June 30, 2022, this note was in a drawdown. However, no additional drawdowns were requested in the subsequent period and the note lapsed as of December 1, 2022, see Note 21.

The annual requirements to amortize all general obligation bonds/notes/loans outstanding as of June 30, 2022, including interest payments, are as follows:

**Governmental activities:**

Fiscal Year Ending June 30,	Bonds - Direct Placements			Notes/Loans - Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 310,000	\$ 79,710	\$ 389,710	\$ 151,727	\$ 3,530	\$ 155,257
2024	245,000	64,579	309,579	140,425	2,094	142,519
2025	255,000	52,635	307,635	82,231	1,243	83,474
2026	270,000	23,840	293,840	-	-	-
2027	285,000	17,110	302,110	-	-	-
2028-2029	605,000	38,335	643,335	-	-	-
Totals	\$ 1,970,000	\$ 276,209	\$ 2,246,209	\$ 374,383	\$ 6,867	\$ 381,250

**Business-type activities:**

Fiscal Year Ending June 30,	Notes/Loans - Direct Borrowings		
	Principal	Interest	Total
2023	\$ 881,677	\$ 170,890	\$ 1,052,567
2024	903,612	143,786	1,047,398
2025	926,214	116,015	1,042,229
2026	949,503	87,557	1,037,060
2027	973,500	58,390	1,031,890
2028	924,113	30,442	954,555
Totals	\$ 5,558,619	\$ 607,080	\$ 6,165,699

**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2022 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
July 13, 2021	Capital repairs and renovations to selected bridges	\$ 630,326 #

# This represents the unissued balance of the bridge repairs and renovations note issued in 2021 for \$950,000 with drawdowns of \$319,674 as of June 30, 2022.

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**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension 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 are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

**Benefits Provided** – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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 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:

<b>Years of Creditable Service as of January 1, 2012</b>	<b>Minimum Age</b>	<b>Minimum Service</b>	<b>Benefit Multiplier</b>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

**Contributions** – The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80%, respectively. For fiscal year 2022, the Town contributed 30.67% for police, 29.78% for fire, and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$1,624,816, which was paid in full.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2022 the Town reported a liability of \$15,674,010 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 participants, actuarially determined. At June 30, 2021, the Town's proportion was 0.35% which was an increase of 0.01% from its proportion measured as of June 30, 2020.

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For the year ended June 30, 2022, the Town recognized pension expense of \$492,207. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 634,143	\$ 724,505
Changes in assumptions	1,637,062	-
Net difference between projected and actual investment earnings on pension plan investments	-	4,383,662
Differences between expected and actual experience	438,895	164,096
Contributions subsequent to the measurement date	1,624,816	-
<b>Total</b>	<b>\$ 4,334,916</b>	<b>\$ 5,272,263</b>

The \$1,624,816 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	
June 30,	
2023	\$ (532,463)
2024	(409,530)
2025	(336,489)
2026	(1,283,681)
2027	-
Thereafter	-
<b>Totals</b>	<b>\$ (2,562,163)</b>

**Actuarial Assumptions** – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions which, accordingly, apply to 2021 measurements:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2021</u>
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	<u>20.00%</u>	
Core US Fixed Income	<u>25.00%</u>	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	<u>15.00%</u>	
Real estate	<u>10.00%</u>	6.60%
<b>Total</b>	<b><u>100.00%</u></b>	

**Discount Rate** – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 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 investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation	1% Decrease	Current Single Rate Assumption	1% Increase
Date	5.75%	6.75%	7.75%
June 30, 2021	\$ 22,415,629	\$ 15,674,010	\$ 10,050,401

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**12-A New Hampshire Retirement System (NHRS)**

**Plan Description** – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2020 Comprehensive Annual Financial Report, which can be found on the System's website at [www.nhrs.org](http://www.nhrs.org).

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**Benefits Provided** – Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A:52-b), and members are designated in statute 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. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

**Contributions** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2021, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$151,517, which was paid in full.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At June 30, 2022, the Town reported a liability of \$1,262,634 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2021, the Town's proportion was 0.32%, which was an increase of 0.02% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized OPEB expense of \$104,906. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 547	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	15,773
Differences between expected and actual experience	-	263
Contributions subsequent to the measurement date	226,949	-
<b>Total</b>	<b>\$ 227,496</b>	<b>\$ 16,036</b>

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The \$226,949 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
June 30,	
2023	\$ (3,324)
2024	(3,314)
2025	(3,715)
2026	(5,136)
2027	-
Thereafter	-
Totals	<u><u>\$ (15,489)</u></u>

**Actuarial Assumptions** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2021. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.6 % average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	<u><u>100.00%</u></u>	

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**Discount Rate** – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease	Current Single Rate Assumption	1% Increase
June 30, 2021	\$ 1,372,582	\$ 1,262,634	\$ 1,116,972

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

### **12-B Town of Hanover Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

**Benefits Provided** – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

**Employees Covered by Benefit Terms** – At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	150
Total participants covered by OPEB plan	<u>165</u>

**Total OPEB Liability** – The Town’s total OPEB liability of \$2,161,809 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$2,161,809 in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.54%
<b>Healthcare Cost Trend Rates:</b>	
Current Year Trend	7.00%
Second Year Trend	6.60%
Decrement	0.40%
Ultimate Trend	4.00%
Year Ultimate Trend is Reached	2075

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The discount rate was based on the long-term municipal bond rate at June 30, 2022.

Mortality rates are as follows:

Pre-retirement: Pub-2010 headcount-weighted Employee General Mortality Tables, projected with generational mortality improvement using scale MP-2019.

Post-retirement:

Healthy retirees: 101% of Pub-2010 headcount-weighted Retiree General Mortality Tables for males and 109% of Pub-2010 headcount-weighted Retiree General Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019.

Surviving spouses: Pub-2010 Contingent Survivor General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

Disabled retirees: Pub-2010 Disabled General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019..

***Changes in the Total OPEB Liability***

	June 30,	
	2021	2022
OPEB liability, beginning of year	\$ 3,093,329	\$ 2,376,933
Changes for the year:		
Service cost	158,231	118,492
Interest	70,711	52,961
Assumption changes	(13,686)	(299,639)
Difference between actual and expected experience	(827,706)	-
Benefit payments	(103,946)	(86,938)
OPEB liability end of year:	<u>\$ 2,376,933</u>	<u>\$ 2,161,809</u>

***Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate*** – The July 1, 2021 actuarial valuation was prepared using a discount rate of 3.54%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$2,361,031, or by 9.22%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,982,852, or by 8.28%.

	Discount Rate		
	1% Decrease	Baseline 3.54%	1% Increase
Total OPEB Liability	<u>\$ 2,361,031</u>	<u>\$ 2,161,809</u>	<u>\$ 1,982,852</u>

***Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates*** – The July 1, 2021 actuarial valuation was prepared using an initial trend rate of 7.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,919,649, or by 11.20%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$2,448,615, or by 13.27%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.00%	1% Increase
Total OPEB Liability	<u>\$ 1,919,649</u>	<u>\$ 2,161,809</u>	<u>\$ 2,448,615</u>

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*** – For the year ended June 30, 2022, the Town recognized OPEB expense of \$44,703.

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At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 360,496	\$ 300,998
Differences between expected and actual experience	- 755,073	
<b>Total</b>	<b>\$ 360,496</b>	<b>\$1,056,071</b>

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

Fiscal Year Ending June 30,	
2023	\$ (108,997)
2024	(91,809)
2025	(87,837)
2026	(87,837)
2027	(88,304)
Thereafter	(230,791)
<b>Totals</b>	<b><u>\$ (695,575)</u></b>

**NOTE 13 – STATE AID TO WATER POLLUTION PROJECTS**

The Town is due to receive from the State of New Hampshire the following amounts in the form of state aid to water pollution projects:

Business-type activities:	Bond Issued	Principal	Interest	Total
C-770 Chlorination/Dechlorination & Outfall Extension	\$ 174,636	\$ 21,320	\$ 195,956	
C-862 Water Reclamation Facility Improvements	491,261	58,028	549,289	
	<b>\$ 665,897</b>	<b>\$ 79,348</b>	<b>\$ 745,245</b>	

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of its water reclamation facility. At June 30, 2022 the Town is due to receive the following annual amounts to offset debt payments:

Business-type activities:		Principal	Interest	Total
Fiscal Year Ending	June 30,			
	2023	\$ 85,240	\$ 18,618	\$ 103,858
	2024	86,671	16,172	102,843
	2025	88,139	13,689	101,828
	2026	89,645	11,168	100,813
	2027	91,188	8,609	99,797
	2028-2030	225,014	11,092	236,106
	<b>Total</b>	<b><u>\$ 665,897</u></b>	<b><u>\$ 79,348</u></b>	<b><u>\$ 745,245</u></b>

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**NOTE 14 - ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2022 are as follows:

General fund:	
General government	\$ 80,409
Public safety	191,330
Highways and streets	228,961
Total encumbrances	<u><u>\$ 500,700</u></u>

**NOTE 15 – GOVERNMENTAL, BUSINESS-TYPE ACTIVITIES, PROPRIETARY FUNDS, AND FIDUCIARY FUNDS NET POSITION**

Governmental and business-type activities, proprietary funds, and fiduciary fund net position reported on the Statements of Net Position at June 30, 2022 include the following:

	Government-wide Financial Statements		
	Governmental Activities	Business-type Activities	Total
Net investment in capital assets:			
Net book value, all capital assets	\$ 39,313,438	\$ 20,784,839	\$ 60,098,277
Less:			
Direct placements - bonds payable	(1,970,000)	-	(1,970,000)
Direct borrowings - notes/loans payable	(694,057)	(5,558,619)	(6,252,676)
Total net investment in capital assets	<u>36,649,381</u>	<u>15,226,220</u>	<u>51,875,601</u>
Restricted net position:			
Perpetual care - nonexpendable	5,501,060	-	5,501,060
Perpetual care - expendable	103,588	-	103,588
Total restricted net position	<u>5,604,648</u>	<u>-</u>	<u>5,604,648</u>
Unrestricted	(14,526,628)	3,102,182	(11,424,446)
Total net position	<u>\$ 27,727,401</u>	<u>\$ 18,328,402</u>	<u>\$ 46,055,803</u>
Business-type Activities			
	Enterprise Funds		
	Water	Total Enterprise Funds	Private Purpose Trust
Net investment in capital assets:			
Net book value, all capital assets	\$ 9,351,637	\$ 11,433,202	\$ -
Less:			
Direct borrowings - notes/loans payable	(2,441,345)	(3,117,274)	(5,558,619)
Total net investment in capital assets	<u>6,910,292</u>	<u>8,315,928</u>	<u>15,226,220</u>
Restricted net position:			
Private purpose trust	-	-	35,499
Trust funds	-	-	-
Trescott company	-	-	-
Total restricted net position	-	-	35,499
Unrestricted	200,672	2,901,510	3,102,182
Total net position	<u>\$ 7,110,964</u>	<u>\$ 11,217,438</u>	<u>\$ 35,499</u>

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**NOTE 16 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2022 include the following:

	General Fund	Fire Fund	Parking Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Prepaid items	\$ 77,159	\$ -	\$ -	\$ -	\$ -	\$ 77,159
Tax deeded property	19,628	-	-	-	-	19,628
Permanent fund - principal balance	-	-	-	5,501,060	-	5,501,060
Total nonspendable fund balance	<u>96,787</u>	<u>-</u>	<u>-</u>	<u>5,501,060</u>	<u>-</u>	<u>5,597,847</u>
<b>Restricted:</b>						
Permanent - income balance	-	-	-	103,588	-	103,588
<b>Committed:</b>						
Expendable trust	1,952,460	-	-	-	-	1,952,460
Fire	-	771,915	-	-	-	771,915
Ambulance	-	-	-	-	75,835	75,835
Conservation	-	-	-	-	335,323	335,323
Lower Grafton County Prosecutorial	-	-	-	-	6,683	6,683
Recreation	-	-	-	-	62,214	62,214
Special purpose	-	-	-	-	53,236	53,236
Total committed fund balance	<u>1,952,460</u>	<u>771,915</u>	<u>-</u>	<u>-</u>	<u>533,291</u>	<u>3,257,666</u>
<b>Assigned:</b>						
Encumbrances	500,700	-	-	-	-	500,700
<b>Unassigned (deficit):</b>						
General fund	3,855,006	-	-	-	-	3,855,006
Parking Fund (deficit)	-	-	(316,755)	-	-	(316,755)
Capital projects	-	-	-	-	(89,718)	(89,718)
Total committed fund balance (deficit)	<u>3,855,006</u>	<u>-</u>	<u>(316,755)</u>	<u>-</u>	<u>(89,718)</u>	<u>3,448,533</u>
Total governmental fund balances (deficit)	<u><u>\$ 6,404,953</u></u>	<u><u>\$ 771,915</u></u>	<u><u>\$ (316,755)</u></u>	<u><u>\$ 5,604,648</u></u>	<u><u>\$ 443,573</u></u>	<u><u>\$ 12,908,334</u></u>

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**NOTE 17 – PRIOR PERIOD ADJUSTMENTS**

Net position/fund balance at July 1, 2021 was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Governmental Funds			Proprietary Funds		Fiduciary Funds	
			General	Permanent	Nonmajor	Water	Reclamation	Private	All
								Purpose	Custodial
To record previously unreported note payable	\$ (108,973)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
To recognize insurance refunds as revenue that were previously deferred	622,930	-	622,930	-	-	-	-	-	-
To remove unsubstantiated prior year interfund balances in the general and blended expendable trust funds	504,206	-	504,206	-	-	-	-	-	-
To report investment in Trescott Company, which was removed in the fund financial statements	-	-	73,200	-	-	-	-	-	-
To reclassify private purpose trust funds as a fiduciary fund, which were previously reported as part of the permanent funds	(43,113)	-	-	(43,113)	-	-	-	43,113	-
To restate for pooled cash account previously reported as an expenditure/expense	51,984	-	-	-	51,984	-	-	-	-
To remove inventory balance that could not be substantiated	-	(23,799)	-	-	-	(23,799)	-	-	-
To adjust expendable trust fund balance to actual	-	568,809	-	-	-	41,131	527,678	-	-
To correct balance of bonds payable	-	(285,157)	-	-	-	(285,157)	-	-	-
To clear out prior year interfund balance resulting from incorrectly recorded cash advance that was pooled cash in the water reclamation fund	-	(542,975)	-	-	-	-	(542,975)	-	-
To record previously unreported long-term State Aid receivables	-	516,893	-	-	-	-	516,893	-	-
To correct the beginning balance of the school trust funds	-	-	-	-	-	-	-	-	(57,098)
Net position/fund balance, as previously reported	25,897,835	17,257,445	5,141,879	6,405,490	688,647	6,595,490	10,661,955	-	2,971,834
Net position/fund balance, as restated	<u>\$ 26,924,869</u>	<u>\$ 17,491,216</u>	<u>\$ 6,342,215</u>	<u>\$ 6,362,377</u>	<u>\$ 740,631</u>	<u>\$ 6,327,665</u>	<u>\$ 11,163,551</u>	<u>\$ 43,113</u>	<u>\$ 2,914,736</u>

	Proprietary Funds	
	Water	Reclamation
To reclassify negative pooled cash balance as interfund payable instead of negative cash	\$ 592,476	\$ -
To reclassify cash balance of expendable trust funds as investment	(170,104)	(194,638)
To clear out prior year interfund balance resulting from incorrectly recorded cash advance that was pooled cash in the water reclamation fund	-	(542,975)
Cash, as previously reported	(422,372)	3,020,724
Cash, as restated	<u>\$ -</u>	<u>\$ 2,283,111</u>

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**NOTE 18 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2021 to June 30, 2022 by Primex<sup>3</sup>, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the Town's property schedule on file with Primex<sup>3</sup>. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex<sup>3</sup> to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022, the Town paid \$214,173 and \$143,221 to Primex<sup>3</sup> for Workers' Compensation and Property/Liability, respectively. At this time, Primex<sup>3</sup> foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 19 – COVID-19**

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Town spent a total of \$123,222 for the fiscal year ended June 30, 2022.

The Town was allotted a total of \$1,201,104 in federal funding from the American Rescue Plan Act (ARPA). The Town received \$600,552, or 50%, during the fiscal year ended June 30, 2022. The Town did not incur any eligible expenditures during the fiscal year; therefore, the amount is recorded as a deferred inflow of resources in the capital project fund. The revenue will be recorded at a future date when the Town incurs eligible expenditures to recognize the revenue.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 20 – CONTINGENT LIABILITIES**

There are various legal claims and suits pending against the Town which arose in the normal course of the Town's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**NOTE 21 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through January 23, 2024, the date the June 30, 2022 financial statements were available to be issued, and the following event occurred that requires recognition or disclosure:

The Town issued a note on December 10, 2021 for \$950,000 for the purpose bridge repairs and renovations. As of June 30, 2022, the Town had drawdowns totaling \$319,674, resulting in unissued debt of \$630,326. The Town did not make any further drawdowns of this note in the subsequent period, and the remaining balance lapsed as of December 1, 2022.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT G**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2022*  
*Unaudited*

	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Fiscal year-end								
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net pension liability	0.36%	0.35%	0.35%	0.37%	0.37%	0.35%	0.34%	0.35%
Town's proportionate share of the net pension liability	\$ 13,634,167	\$ 13,720,546	\$ 18,959,115	\$ 18,303,052	\$ 17,890,340	\$ 16,943,011	\$ 21,650,753	\$ 15,674,010
Town's covered payroll (as of the measurement date)	\$ 7,807,102	\$ 7,849,449	\$ 8,160,486	\$ 8,722,964	\$ 9,382,153	\$ 9,158,574	\$ 9,276,904	\$ 10,782,058
Town's proportionate share of the net pension liability as a percentage of its covered payroll	174.64%	174.80%	232.33%	209.83%	190.68%	185.00%	233.38%	145.37%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

**EXHIBIT H**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Schedule of Town Contributions - Pensions**

**New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan**  
**For the Fiscal Year Ended June 30, 2022**

**Unaudited**

Fiscal year-end	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 1,163,415	\$ 1,271,788	\$ 1,362,491	\$ 1,566,018	\$ 1,531,539	\$ 1,503,744	\$ 1,624,231	\$ 1,624,816
Contributions in relation to the contractually required contributions	(1,163,415)	(1,271,788)	(1,362,491)	(1,566,018)	(1,531,539)	(1,503,744)	(1,624,231)	(1,624,816)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll (as of the fiscal year-end)	<u>\$ 7,849,449</u>	<u>\$ 8,160,486</u>	<u>\$ 8,722,964</u>	<u>\$ 9,382,153</u>	<u>\$ 9,158,574</u>	<u>\$ 9,276,905</u>	<u>\$ 9,965,867</u>	<u>\$ 10,312,220</u>
Contributions as a percentage of covered payroll	14.82%	15.58%	15.62%	16.69%	16.72%	16.21%	16.30%	15.76%

**TOWN OF HANOVER, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

***Schedule of the Town's Proportionate Share of Net Pension Liability and  
Schedule of Town Contributions - Pensions***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**EXHIBIT I**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
***Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability***  
***New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan***  
***For the Fiscal Year Ended June 30, 2022***  
***Unaudited***

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Town's proportion of the net OPEB liability		0.22%	0.23%	0.35%	0.34%	0.30%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,066,994	\$ 1,063,694	\$ 1,623,251	\$ 1,474,082	\$ 1,314,724	\$ 1,262,634
Town's covered payroll (as of the measurement date)	\$ 8,160,486	\$ 8,722,964	\$ 9,382,153	\$ 9,158,574	\$ 9,276,904	\$ 10,782,058
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	13.08%	12.19%	17.30%	16.10%	14.17%	11.71%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT J**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
***Schedule of Town Contributions - Other Postemployment Benefits***  
***New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan***  
***For the Fiscal Year Ended June 30, 2022***

***Unaudited***

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Fiscal year-end						
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 127,273	\$ 137,760	\$ 153,506	\$ 139,421	\$ 151,435	\$ 151,517
Contributions in relation to the contractually required contribution	(127,273)	(137,760)	(153,506)	(139,421)	(151,435)	(151,517)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
town's covered payroll (as of the fiscal year end)	\$ 8,722,964	\$ 9,382,153	\$ 9,158,574	\$ 9,276,905	\$ 9,965,867	\$ 10,782,058
Contributions as a percentage of covered payroll	1.46%	1.47%	1.68%	1.50%	1.52%	1.41%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**EXHIBIT K**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
*Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios*  
**Retiree Health Benefit Program**  
**For the Fiscal Year Ended June 30, 2022**  
**Unaudited**

	June 30,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 2,456,036	\$ 2,488,933	\$ 2,610,157	\$ 3,093,329	\$ 2,376,933
<b>Changes for the year:</b>					
Service cost	104,375	102,680	118,134	158,231	118,492
Interest	89,997	98,463	93,951	70,711	52,961
Assumption changes	(68,394)	230,909	359,026	(13,686)	(299,639)
Differences between actual and expected experience	-	(216,139)	-	(827,706)	-
Benefit payments	(93,081)	(94,689)	(87,939)	(103,946)	(86,938)
OPEB liability, end of year	<u>\$ 2,488,933</u>	<u>\$ 2,610,157</u>	<u>\$ 3,093,329</u>	<u>\$ 2,376,933</u>	<u>\$ 2,161,809</u>
Covered payroll	<u>\$ 9,164,583</u>	<u>\$ 9,406,722</u>	<u>\$ 10,201,817</u>	<u>\$ 10,466,524</u>	<u>\$ 10,299,771</u>
Total OPEB liability as a percentage of covered payroll	27.16%	27.75%	30.32%	22.71%	20.99%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

**TOWN OF HANOVER, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFIT LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2022**

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of Town Contributions – Other Postemployment Benefits***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – There were no changes in assumptions for the current period.

***Methods and Assumptions Used to Determine Contribution Rates*** – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at [www.nhrs.org](http://www.nhrs.org).

As required by GASB Statement No. 75, Exhibits I, J, and K represent the actuarial determined costs associated with the Town's other postemployment benefits at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios***

***Changes in Benefit Terms*** – There were no changes in benefit terms for the current period.

***Changes in Assumptions*** – The discount rate increased from 2.16% to 3.54% for the current period.

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the Town's other postemployment benefits at June 30, 2022. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2022*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 10,395,659	\$ 10,861,347	\$ 465,688
Land use change	10,000	20,000	10,000
Yield	12,000	67,158	55,158
Payment in lieu of taxes	22,225	108,497	86,272
Interest and penalties on taxes	65,000	47,722	(17,278)
Total from taxes	<u>10,504,884</u>	<u>11,104,724</u>	<u>599,840</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,574,000	1,571,491	(2,509)
Building permits	500,750	422,123	(78,627)
Other	250,180	181,669	(68,511)
Total from licenses, permits, and fees	<u>2,324,930</u>	<u>2,175,283</u>	<u>(149,647)</u>
Intergovernmental:			
State:			
Meals and rooms distribution	819,453	819,453	-
Highway block grant	276,671	221,337	(55,334)
Other	-	25,000	25,000
Total from intergovernmental	<u>1,096,124</u>	<u>1,065,790</u>	<u>(30,334)</u>
Charges for services:			
Income from departments	<u>1,653,775</u>	<u>1,610,785</u>	<u>(42,990)</u>
Miscellaneous:			
Sale of municipal property	17,000	46,910	29,910
Interest on investments	96,000	35,181	(60,819)
Other	194,976	375,311	180,335
Total from miscellaneous	<u>307,976</u>	<u>457,402</u>	<u>149,426</u>
Other financing sources:			
Transfers in	<u>1,296,453</u>	<u>899,953</u>	<u>(396,500)</u>
Total revenues and other financing sources	17,184,142	<u>\$ 17,313,937</u>	<u>\$ 129,795</u>
Unassigned fund balance used to reduce tax rate	50,000		
Amounts voted from fund balance	71,010		
Total revenues, other financing sources, and use of fund balance	<u>\$ 17,305,152</u>		

See Independent Auditor's Report.

**SCHEDULE 2**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2022*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
General government:					
Executive	\$ -	\$ 360,662	\$ 474,108	\$ -	\$ (113,446)
Election and registration	-	160,403	164,462	-	(4,059)
Financial administration	-	152,967	212,951	-	(59,984)
Revaluation of property	-	188,517	204,896	11,157	(27,536)
Legal	-	70,000	164,294	-	(94,294)
Personnel administration	-	3,775,695	2,998,488	2,274	774,933
Planning and zoning	-	730,786	639,262	42,841	48,683
General government buildings	424,760	703,449	1,032,830	24,137	71,242
Cemeteries	-	15,950	15,017	-	933
Insurance, not otherwise allocated	-	79,716	62,472	-	17,244
Other	-	185,330	159,136	-	26,194
Total general government	<u>424,760</u>	<u>6,423,475</u>	<u>6,127,916</u>	<u>80,409</u>	<u>639,910</u>
Public safety:					
Police	-	2,151,779	1,915,648	24,500	211,631
Other	180,648	719,381	879,734	166,830	(146,535)
Total public safety	<u>180,648</u>	<u>2,871,160</u>	<u>2,795,382</u>	<u>191,330</u>	<u>65,096</u>
Highways and streets:					
Administration	246,803	1,331,567	1,339,032	205,294	34,044
Highways and streets	-	1,996,618	2,105,675	22,667	(131,724)
Bridges	-	15,325	17,432	1,000	(3,107)
Street lighting	-	106,533	117,546	-	(11,013)
Total highways and streets	<u>246,803</u>	<u>3,450,043</u>	<u>3,579,685</u>	<u>228,961</u>	<u>(111,800)</u>
Sanitation:					
Solid waste collection	-	245,755	220,072	-	25,683
Solid waste disposal	-	19,768	16,990	-	2,778
Total sanitation	-	265,523	237,062	-	28,461
Health:					
Administration	-	-	3,859	-	(3,859)
Pest control	-	3,000	2,500	-	500
Health agencies	-	319,059	319,059	-	-
Total health	-	322,059	325,418	-	(3,359)
Welfare:					
Administration and direct assistance	-	25,255	34,956	-	(9,701)
Vendor payments and other	-	91,186	91,186	-	-
Total welfare	-	116,441	126,142	-	(9,701)
Culture and recreation:					
Parks and recreation	-	1,244,805	1,238,963	-	5,842
Library	-	1,428,890	1,426,293	-	2,597
Total culture and recreation	-	2,673,695	2,665,256	-	8,439
Conservation	-	20,700	33,913	-	(13,213)

*(Continued)*

***SCHEDULE 2 (Continued)***  
***TOWN OF HANOVER, NEW HAMPSHIRE***  
***Major General Fund***  
***Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)***  
***For the Fiscal Year Ended June 30, 2022***

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	175,000	175,000	-	-
Interest on long-term debt	-	4,312	4,313	-	(1)
Total debt service	-	179,312	179,313	-	(1)
Capital outlay	-	169,000	68,910	-	100,090
Other financing uses:					
Transfers out	-	813,744	717,524	-	96,220
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 852,211</u>	<u>\$ 17,305,152</u>	<u>\$ 16,856,521</u>	<u>\$ 500,700</u>	<u>\$ 800,142</u>

**SCHEDULE 3**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance*  
*For the Fiscal Year Ended June 30, 2022*

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Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (See Note 17)	\$ 3,092,275
<b>Changes:</b>	
Unassigned fund balance used to reduce 2021-22 tax rate	(50,000)
Amounts voted from fund balance	(71,010)
<b>2021-22 Budget summary:</b>	
Revenue surplus (Schedule 1)	\$ 129,795
Unexpended balance of appropriations (Schedule 2)	<u>800,142</u>
Budget surplus	929,937
Decrease in nonspendable fund balance	<u>11,551</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	3,912,753
<b><i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i></b>	
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis	<u>(57,747)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u>\$ 3,855,006</u>

**SCHEDULE 4**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2022**

	Special Revenue Funds								
			Downtown	Lower					
	Ambulance	Conservation	Business	Grafton	Service	County	Prosecutorial	Recreation	Special
<b>ASSETS</b>									
Cash and cash equivalents	\$ 12,954	\$ -	\$ -	\$ 6,683	\$ 63,279	\$ 53,236	\$ 329,262	\$ 465,414	
Investments	-	370,528	-	-	-	-	-	370,528	
Accounts receivable (net)	78,923	-	-	-	-	-	-	78,923	
Interfund receivable	-	2,666	-	-	-	-	-	319,674	322,340
Total assets	<u>\$ 91,877</u>	<u>\$ 373,194</u>	<u>\$ -</u>	<u>\$ 6,683</u>	<u>\$ 63,279</u>	<u>\$ 53,236</u>	<u>\$ 648,936</u>	<u>\$ 1,237,205</u>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 16,042	\$ 132	\$ -	\$ -	\$ 1,065	\$ -	\$ 14,880	\$ 32,119	
Interfund payable	-	37,739	-	-	-	-	123,222	160,961	
Total liabilities	<u>16,042</u>	<u>37,871</u>	<u>-</u>	<u>-</u>	<u>1,065</u>	<u>-</u>	<u>138,102</u>	<u>193,080</u>	
<b>Deferred inflows of resources:</b>									
Unavailable revenue - Grants received in advance	-	-	-	-	-	-	600,552	600,552	
<b>Fund balances:</b>									
Committed	75,835	335,323	-	6,683	62,214	53,236	-	533,291	
Unassigned	-	-	-	-	-	-	(89,718)	(89,718)	
Total fund balances	<u>75,835</u>	<u>335,323</u>	<u>-</u>	<u>6,683</u>	<u>62,214</u>	<u>53,236</u>	<u>(89,718)</u>	<u>443,573</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 91,877</u>	<u>\$ 373,194</u>	<u>\$ -</u>	<u>\$ 6,683</u>	<u>\$ 63,279</u>	<u>\$ 53,236</u>	<u>\$ 648,936</u>	<u>\$ 1,237,205</u>	

**SCHEDULE 5**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2022**

	Special Revenue Funds									
	Ambulance	Conservation	Downtown	Lower	Special	Capital	Projects	Total		
			Business	Grafton						
	Ambulance	Conservation	Downtown	Lower	Service	County	Special	Capital		
<b>Revenues:</b>										
Intergovernmental	\$ 206,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,290	\$ 348,620		
Charges for services	439,849	-	-	144,291	-	-	-	584,140		
Miscellaneous	1,023	31,051	-	-	10,443	6,156	72,076	120,749		
Total revenues	<u>647,202</u>	<u>31,051</u>	<u>-</u>	<u>144,291</u>	<u>10,443</u>	<u>6,156</u>	<u>214,366</u>	<u>1,053,509</u>		
<b>Expenditures:</b>										
Current:										
General government	-	-	-	-	-	-	17,064	-	17,064	
Public safety	886,045	-	-	206,458	-	-	154,998	1,247,501		
Culture and recreation	-	-	-	-	8,883	-	19,492	28,375		
Conservation	-	9,458	29,174	-	-	-	-	38,632		
Capital outlay	-	-	-	-	-	-	623,125	623,125		
Total expenditures	<u>886,045</u>	<u>9,458</u>	<u>29,174</u>	<u>206,458</u>	<u>8,883</u>	<u>17,064</u>	<u>797,615</u>	<u>1,954,697</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(238,843)</u>	<u>21,593</u>	<u>(29,174)</u>	<u>(62,167)</u>	<u>1,560</u>	<u>(10,908)</u>	<u>(583,249)</u>	<u>(901,188)</u>		
<b>Other financing sources (uses):</b>										
Transfers in	319,059	18,790	29,174	-	-	-	-	367,023		
Transfers out	(82,567)	-	-	-	-	-	-	(82,567)		
Debt proceeds	-	-	-	-	-	-	319,674	319,674		
Total other financing sources (uses)	<u>236,492</u>	<u>18,790</u>	<u>29,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,674</u>	<u>604,130</u>		
Net change in fund balances	<u>(2,351)</u>	<u>40,383</u>	<u>-</u>	<u>(62,167)</u>	<u>1,560</u>	<u>(10,908)</u>	<u>(263,575)</u>	<u>(297,058)</u>		
Fund balances, beginning, as restated (see Note 17)	<u>78,186</u>	<u>294,940</u>	<u>-</u>	<u>68,850</u>	<u>60,654</u>	<u>64,144</u>	<u>173,857</u>	<u>740,631</u>		
Fund balances (deficit), ending	<u><b>\$ 75,835</b></u>	<u><b>\$ 335,323</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 6,683</b></u>	<u><b>\$ 62,214</b></u>	<u><b>\$ 53,236</b></u>	<u><b>\$ (89,718)</b></u>	<u><b>\$ 443,573</b></u>		

See Independent Auditor's Report.

**SCHEDULE 6**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Custodial Funds**  
**Combining Schedule of Fiduciary Net Position**  
**June 30, 2022**

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	Custodial Funds				State of NH Motor Vehicle Registrations	Total
	Taxes	Trust Funds	Trescott Company	Registrations		
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 111,766	\$ 188,216	\$ -	\$ 299,982	
Investments	- -	2,225,717	- -	- -	2,225,717	
Intergovernmental receivables	1,240	- -	- -	- -	1,240	
Total assets	<u>1,240</u>	<u>2,337,483</u>	<u>188,216</u>	<u>- -</u>	<u>2,526,939</u>	
<b>LIABILITIES</b>						
Intergovernmental payables:						
School	1,240	- -	- -	- -	1,240	
<b>NET POSITION</b>						
Restricted	<u>\$ -</u>	<u>\$ 2,337,483</u>	<u>\$ 188,216</u>	<u>\$ -</u>	<u>\$ 2,525,699</u>	

**SCHEDULE 7**  
**TOWN OF HANOVER, NEW HAMPSHIRE**  
**Custodial Funds**  
*Combining Schedule of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2022*

	Custodial Funds				
	Taxes	Trust Funds	Trescott Company	Motor Vehicle Permit Fees	State of NH Total
<b>Additions:</b>					
Investment earnings	\$ -	\$ 28,484	\$ -	\$ -	\$ 28,484
Tax collections for other governments	32,806,780	-	-	-	32,806,780
Motor vehicle permit fees collected	-	-	-	401,883	401,883
Unrealized loss on investments	-	(251,900)	-	-	(251,900)
<b>Total additions</b>	<b>32,806,780</b>	<b>(223,416)</b>	<b>-</b>	<b>401,883</b>	<b>32,985,247</b>
<b>Deductions:</b>					
Benefits paid	-	150,000	-	-	150,000
Administrative expenses	-	9,178	6,443	-	15,621
Payments of taxes to other governments	32,806,780	-	-	-	32,806,780
Payments of motor vehicle permit fees	-	-	-	401,883	401,883
<b>Total deductions</b>	<b>32,806,780</b>	<b>159,178</b>	<b>6,443</b>	<b>401,883</b>	<b>33,374,284</b>
Change in net position	-	(382,594)	(6,443)	-	(389,037)
Net position, beginning, as restated (see Note 17)	-	2,720,077	194,659	-	2,914,736
<b>Net position, ending</b>	<b>\$ -</b>	<b>\$ 2,337,483</b>	<b>\$ 188,216</b>	<b>\$ -</b>	<b>\$ 2,525,699</b>

See Independent Auditor's Report.



## **PLODZIK & SANDERSON**

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### ***INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESSES***

To the Members of the Selectboard  
Town of Hanover  
Hanover, New Hampshire

In planning and performing our audit of the basic financial statements of the Town of Hanover as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Hanover's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hanover's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Hanover's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

#### **Balance Sheet Reconciliations and General Ledger Maintenance**

During the performance of our audit, numerous significant adjusting journal entries were required to correct balance sheet accounts that were either inaccurate or invalid due to balance sheet accounts not being regularly reconciled. Specific examples include a credit prepaid balance of \$2,923,522 (which was caused by an incorrectly recorded school payment) as well as an insurance refund account, which had a credit balance of \$907,552 (and should have been recognized as revenue). There were also significant issues with unsupported interfund balances, many of which relate to prior year balances not being cleared out.

While there may be a significant number of factors contributing to these issues, one contributing factor is the Town lacks appropriate accounting policies and procedures to outline the proper processes for periodic reconciliations. In addition, the Town experienced a significant amount of turnover within its finance office. It appears several of the departing employees were long-term employees of the Town who had accumulated a significant amount of undocumented institutional knowledge and performed most of their procedures based on historical practice. The combination of these factors contributed to the material weakness described above.

We recommend the Town begin reconciling its trial balance on a monthly basis, particularly verifying the validity of balance sheet accounts. All audit entries should be posted to the trial balance in a timely manner. In addition, the Town should also formally document the procedures required to be performed as a part of the monthly reconciliations. These procedures should also document any institutional knowledge that is essential to ensure the smooth and continued operations of the Town.

**Town of Hanover**  
**Independent Auditor's Communication of Significant Weaknesses**

**Management's Response:**

- As noted, the turnover in the Finance Director position between August of 2021 and January of 2023 was significant, and both transitions occurred without overlap with the prior staff. The role of the Finance Director in the Town is particularly important because the tax collection, clerk transactions, and water/sewer collection system does not interface with the General Ledger and requires manual journal entries to record activity. This disconnect led to the difference in year-end property tax receivables due to deposit timing and the need for adjustment.
- In addition to the Finance Director turnover, the long-tenured Finance and Accounting Manager resigned in May of 2022. The Accounting Assistant, who reports to the Finance and Accounting Manager, had never been required to make decisions and was not trained as a back-up to the Finance and Accounting Manager. These three positions compose the entire finance department, and the overwhelming loss of legacy knowledge is reflected in the material weaknesses noted.
- To correct this weakness, we were already in the process of:
  - Establishing month-end closing process that includes submission deadlines from departments as well as reconciliation of the trial balance.
  - Documenting all balance sheet accounts that have monthly activity and requiring reconciliation each month as part of the established closing process. A month-end close checklist will be maintained to confirm all reconciliations are being completed. The month-end close will be completed within 10 business days of the last day of the month. Significant progress has been made as all bank reconciliations are now completed in this timeframe.
  - Using the NHMA Basic Internal Controls Checklist, perform self-assessment and develop policies and procedures where needed.
  - Exploring use of fourth segment in InCode to add ability to report based on NH DRA account structure without manual manipulation.
  - Training departments to do reconciliations – have worked on and are working on providing scheduled InCode reports of transactions that the accounting department has booked during the month.
    - Currently reporting to Parking, Water, Sewer, Clerk and Assessing departments.

**Capital Projects Tracking and Grants Maintenance**

During review of the capital project fund, the following issues were noted:

- Multiple projects are operating simultaneously in the capital projects fund. These include broadband, land purchases, trails development, Dartmouth College projects, bridge projects, and grants, among others. The Town does not maintain a separate subledger or spreadsheet to track each of the projects individually, therefore, has no way to determine the current status of individual projects, whether they are over-budget, under-budget, have funds remaining, or are in a deficit.
- The Town is running grants, most of which are wage-related, through the capital project fund. There is little to no capital-related activity in these grants. Furthermore, the Town is not properly recognizing revenues and expenditures related to these grants. Based on the nature of the grants, where the grants are reimbursement based, meaning revenues should equal expenditures. However, for the grants run through the capital project, the revenues and expenditures did not agree, resulting in additional audit time to reconcile and adjust.
- The Town posted note proceeds for its bridge repairs and renovations project in the general fund, however the expenditures related to this work were reported in the capital project fund, requiring an audit adjustment. The overall expenditures related to the bridge repairs and renovations project exceeded the general obligation note proceeds received, contributing to the ending deficit in the capital project fund. Furthermore, in the subsequent period, the Town failed to request timely drawdowns of the note issued to fund the project, and the note lapsed on December 1, 2022, resulting in the Town needing to work with the bank to obtain a new note in order to fund the remainder of the bridge repairs and renovations project.

**Town of Hanover**  
**Independent Auditor's Communication of Significant Weaknesses**

We recommend the Town take the following steps to correct the issues noted above:

- A separate subledger or spreadsheet needs to be developed by the Town to track each project individually. This needs to be reconciled to the overall capital project fund to ensure it is in agreement. Each project also needs to be evaluated to ensure it remains within budget and is adequately funded.
- Grant activity should be removed from the capital project fund. If the Town wants to track grant activity separate from other funds, such as the general or fire funds, it may create and utilize a separate grants fund. Grants also need to be reconciled on a regular basis. For reimbursement-based grants, the revenues should be equal to the expenditures for each grant, so the fund should not ever report a fund balance or deficit.
- The Town needs to separately track each individual project in the capital project fund. In evaluating the status of each project, the Town needs to ensure that timely drawdowns of the note are requested to ensure the fund does not report a deficit and the note does not lapse.

**Management's Response:**

The noted weaknesses were caused by a combination of Finance Department turnover with no transition period as well as past practice. In particular, the lapse of the bridge repair loan, which was structured as a line of credit, demonstrates the impact of lack of documentation and transfer of knowledge.

**Response:**

- All activity in the Capital Project Fund is being analyzed and grouped as follows:
  - Non-capital activity – these will be moved from the Capital Project Fund to appropriate funds which may exist, or to new funds that will be established. An example of this is the movement of the ARPA funding and any expenditures activity from this fund to a unique fund to allow reconciliation. The funds will be moved to deferred revenue and reclassified to offset expenditures associated with this grant, with reconciliations each month.
  - Capital activity – the Finance and Accounting Manager is leading the implementation of the Project Accounting functionality of InCode. This includes the ability to enter a project budget. Reports can be run to track expenditures compared to that budget. Once the capital project is complete, the asset will be added to the Capital Asset account.
- Grants Maintenance
  - The grant activity will be removed from the Capital Project Fund
  - Dedicated Grant Funds will be established, one for ARPA transactions and one for each of the following Funds:
    - General Fund
    - Fire Fund
    - Water Fund
    - Sewer Fund
    - Others as needed
  - Project Accounting will be utilized within each of these Grant Funds to allow tracking and reconciliation of grant activity.
  - During this process change, departments will be required to maintain spreadsheets as additional tracking of activity.
  - Formal Grant Policy will be developed, calling on the experience the Finance and Accounting Manager gained while at the Lebanon Municipal Airport.

In addition, we noted other matters involving internal control and its operation that we have reported to management of the Town of Hanover in a separate letter.

***Town of Hanover***

***Independent Auditor's Communication of Significant Weaknesses***

The Town of Hanover's responses to the findings identified in our audit are described above and the Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Selectboard, Town Manager, and others within the Town of Hanover, and is not intended to be, and should not be, used by anyone other than these specified parties.

January 23, 2024  
Concord, New Hampshire

*Plodzik & Sanderson  
Professional Association*