

**TOWN OF HANOVER,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

TOWN OF HANOVER, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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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, 2023, 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
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 discussed in the "Matters Giving Rise to Adverse Opinions on Governmental Activities, Business-type Activities, and Each Major Proprietary Fund" paragraph, 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, 2023, or the changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2023, the respective changes in financial position, and the respective budgetary comparisons for the general fund and fire 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

Matters 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in the year ending June 30, 2023, the Town of Hanover adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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.

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 opinions on the basic financial statements are 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.

September 10, 2024
Concord, New Hampshire

**Plodzik & Sanderson
Professional Association**

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HANOVER, NEW HAMPSHIRE
Statement of Net Position
June 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 23,957,001	\$ 2,191,388	\$ 26,148,389
Investments	9,846,502	2,337,031	12,183,533
Taxes receivables	6,062,390	-	6,062,390
Account receivables (net)	195,174	389,006	584,180
Intergovernmental receivable	210,343	580,657	791,000
Internal balances	671,484	(671,484)	-
Prepaid items	190,416	-	190,416
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>80,539,576</u>	<u>25,611,437</u>	<u>106,151,013</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	4,452,869	214,708	4,667,577
Amounts related to other postemployment benefits	455,001	35,071	490,072
Total deferred outflows of resources	<u>4,907,870</u>	<u>249,779</u>	<u>5,157,649</u>
LIABILITIES			
Accounts payable	628,798	76,409	705,207
Accrued salaries and benefits	294,858	-	294,858
Accrued interest payable	23,016	22,270	45,286
Intergovernmental payable	1,215	-	1,215
Escrow and performance deposits	253,552	-	253,552
Long-term liabilities:			
Due within one year	516,271	214,275	730,546
Due in more than one year	26,300,418	5,064,376	31,364,794
Total liabilities	<u>28,018,128</u>	<u>5,377,330</u>	<u>33,395,458</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	24,153,497	-	24,153,497
Unavailable revenue - other	1,930,628	-	1,930,628
Amounts related to pensions	716,372	34,542	750,914
Amounts related to other postemployment benefits	922,470	82,196	1,004,666
Total deferred inflows of resources	<u>27,722,967</u>	<u>116,738</u>	<u>27,839,705</u>
NET POSITION			
Net investment in capital assets	37,111,108	16,797,234	53,908,342
Restricted	6,075,203	-	6,075,203
Unrestricted	(13,479,960)	3,569,914	(9,910,046)
Total net position	<u>\$ 29,706,351</u>	<u>\$ 20,367,148</u>	<u>\$ 50,073,499</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, 2023

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 5,807,513	\$ 39,502	\$ 31,800	\$ (5,736,211)	\$ -	\$ (5,736,211)
Public safety	9,991,789	3,755,322	415,220	(5,821,247)	-	(5,821,247)
Highways and streets	3,288,943	-	293,760	(2,995,183)	-	(2,995,183)
Sanitation	287,409	12,428	1,170	(273,811)	-	(273,811)
Health	334,138	-	-	(334,138)	-	(334,138)
Welfare	144,186	3,533	-	(140,653)	-	(140,653)
Culture and recreation	2,847,727	720,991	19,081	(2,107,655)	-	(2,107,655)
Conservation	26,086	-	128,411	102,325	-	102,325
Interest on long-term debt	75,059	-	-	(75,059)	-	(75,059)
Total governmental activities	<u>22,802,850</u>	<u>4,531,776</u>	<u>889,442</u>	<u>(17,381,632)</u>	<u>-</u>	<u>(17,381,632)</u>
Business-type activities:						
Water	1,258,966	2,125,902	-	-	866,936	866,936
Water reclamation	1,985,909	2,994,496	18,618	-	1,027,205	1,027,205
Total business-type activities	<u>3,244,875</u>	<u>5,120,398</u>	<u>18,618</u>	<u>-</u>	<u>1,894,141</u>	<u>1,894,141</u>
Total	<u><u>\$ 26,047,725</u></u>	<u><u>\$ 9,652,174</u></u>	<u><u>\$ 908,060</u></u>	<u><u>(17,381,632)</u></u>	<u><u>1,894,141</u></u>	<u><u>(15,487,491)</u></u>
General revenues:						
Taxes:						
Property				14,285,896	-	14,285,896
Other				201,652	-	201,652
Motor vehicle permit fees				1,609,021	-	1,609,021
Licenses and other fees				1,010,020	-	1,010,020
Grants and contributions not restricted to specific programs				1,046,271	-	1,046,271
Unrestricted investment earnings				1,196,864	87,009	1,283,873
Miscellaneous				236,750	8,499	245,249
Total general revenues				<u>19,586,474</u>	<u>95,508</u>	<u>19,681,982</u>
Change in net position				2,204,842	1,989,649	4,194,491
Net position, beginning, as restated (see Note 18)				<u>27,501,509</u>	<u>18,377,499</u>	<u>45,879,008</u>
Net position, ending				<u><u>\$ 29,706,351</u></u>	<u><u>\$ 20,367,148</u></u>	<u><u>\$ 50,073,499</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, 2023

	General	Fire	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 22,336,392	\$ 612,030	\$ 412,656	\$ 595,923	\$ 23,957,001
Investments	3,810,279	-	5,612,547	423,676	9,846,502
Receivables, net of allowance for uncollectable:					
Taxes	6,062,390	-	-	-	6,062,390
Accounts	79,067	-	-	116,107	195,174
Intergovernmental receivable	210,343	-	-	-	210,343
Interfund receivable	1,096,376	178,816	-	1,203,866	2,479,058
Prepaid items	190,416	-	-	-	190,416
Tax deeded property, subject to resale	19,628	-	-	-	19,628
Other assets	73,200	-	-	-	73,200
Total assets	<u>\$ 33,878,091</u>	<u>\$ 790,846</u>	<u>\$ 6,025,203</u>	<u>\$ 2,339,572</u>	<u>\$ 43,033,712</u>
LIABILITIES					
Accounts payable	\$ 510,914	\$ 74,085	\$ -	\$ 43,799	\$ 628,798
Accrued salaries and benefits	294,858	-	-	-	294,858
Intergovernmental payable	1,215	-	-	-	1,215
Interfund payable	1,382,682	-	-	424,892	1,807,574
Escrow and performance deposits	253,552	-	-	-	253,552
Total liabilities	<u>2,443,221</u>	<u>74,085</u>	<u>-</u>	<u>468,691</u>	<u>2,985,997</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	24,235,714	-	-	-	24,235,714
Unavailable revenue - other	225,878	-	-	1,704,750	1,930,628
Total deferred inflows of resources	<u>24,461,592</u>	<u>-</u>	<u>-</u>	<u>1,704,750</u>	<u>26,166,342</u>
FUND BALANCES					
Nonspendable	210,044	-	5,981,761	-	6,191,805
Restricted	-	-	43,442	50,000	93,442
Committed	2,368,468	716,761	-	690,986	3,776,215
Assigned	447,510	-	-	-	447,510
Unassigned	3,947,256	-	-	(574,855)	3,372,401
Total fund balances	<u>6,973,278</u>	<u>716,761</u>	<u>6,025,203</u>	<u>166,131</u>	<u>13,881,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,878,091</u>	<u>\$ 790,846</u>	<u>\$ 6,025,203</u>	<u>\$ 2,339,572</u>	<u>\$ 43,033,712</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, 2023

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

Total fund balances of governmental funds (Exhibit C-1)	\$ 13,881,373
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	\$ 4,452,869
Deferred inflows of resources related to pensions	(716,372)
Deferred outflows of resources related to OPEB	455,001
Deferred inflows of resources related to OPEB	<u>(922,470)</u>
	3,269,028
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.	
Receivables	\$ (1,807,574)
Payables	<u>1,807,574</u>
Long-term revenue (taxes) is not available to pay current period expenditures, and therefore, is deferred in the governmental funds.	82,217
Interest on long-term debt is not accrued in governmental funds.	
Accrued interest payable	(23,016)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.	
Bonds	\$ 1,660,000
Notes/Loans	542,330
Compensated absences	2,478,786
Net pension liability	18,988,252
Other postemployment benefits	<u>3,147,321</u>
	(26,816,689)
Net position of governmental activities (Exhibit A)	<u><u>\$ 29,706,351</u></u>

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, 2023

	General	Fire	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 10,735,383	\$ 3,641,671	\$ -	\$ 86,024	\$ 14,463,078
Licenses and permits	2,619,041	-	-	-	2,619,041
Intergovernmental	1,249,563	76,902	-	221,628	1,548,093
Charges for services	1,660,744	124,601	-	2,746,431	4,531,776
Miscellaneous	844,796	52,432	141,652	315,903	1,354,783
Unrealized loss on investments	-	-	466,451	-	466,451
Total revenues	<u>17,109,527</u>	<u>3,895,606</u>	<u>608,103</u>	<u>3,369,986</u>	<u>24,983,222</u>
EXPENDITURES					
Current:					
General government	6,141,440	-	27,548	6,638	6,175,626
Public safety	3,702,359	3,824,465	-	2,543,064	10,069,888
Highways and streets	2,876,421	-	-	-	2,876,421
Sanitation	287,409	-	-	-	287,409
Health	334,138	-	-	-	334,138
Welfare	144,186	-	-	-	144,186
Culture and recreation	2,797,260	-	-	47,455	2,844,715
Conservation	21,127	-	-	5,135	26,262
Debt service:					
Principal	175,000	-	-	235,000	410,000
Interest	6,916	-	-	76,035	82,951
Capital outlay	-	-	-	532,695	532,695
Total expenditures	<u>16,486,256</u>	<u>3,824,465</u>	<u>27,548</u>	<u>3,446,022</u>	<u>23,784,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>623,271</u>	<u>71,141</u>	<u>580,555</u>	<u>(76,036)</u>	<u>1,198,931</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	661,022	117,205	-	372,871	1,151,098
Transfers out	(490,076)	(243,500)	(160,000)	(257,522)	(1,151,098)
Total other financing sources (uses)	<u>170,946</u>	<u>(126,295)</u>	<u>(160,000)</u>	<u>115,349</u>	<u>-</u>
Net change in fund balances	794,217	(55,154)	420,555	39,313	1,198,931
Fund balances, beginning, as restated (see Note 18)	6,179,061	771,915	5,604,648	126,818	12,682,442
Fund balances, ending	<u>\$ 6,973,278</u>	<u>\$ 716,761</u>	<u>\$ 6,025,203</u>	<u>\$ 166,131</u>	<u>\$ 13,881,373</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, 2023

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ 1,198,931

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

Transfers in	\$(1,151,098)
Transfers out	<u>1,151,098</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	24,470
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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.

Repayment of bond principal	\$ 310,000
Repayment of note/loan principal	<u>151,727</u>
	461,727

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	\$ 7,892
Increase in compensated absences payable	(95,297)
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	595,480
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>11,639</u>
	519,714
Changes in net position of governmental activities (Exhibit B)	<u><u>\$ 2,204,842</u></u>

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, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 11,019,519	\$ 10,759,853	\$ (259,666)
Licenses and permits	2,243,550	2,619,041	375,491
Intergovernmental	1,187,641	1,249,563	61,922
Charges for services	2,822,797	1,660,744	(1,162,053)
Miscellaneous	130,000	701,658	571,658
Total revenues	<u>17,403,507</u>	<u>16,990,859</u>	<u>(412,648)</u>
EXPENDITURES			
Current:			
General government	6,717,396	6,096,697	620,699
Public safety	3,246,519	3,783,426	(536,907)
Highways and streets	4,200,723	2,785,572	1,415,151
Sanitation	264,041	287,409	(23,368)
Health	332,665	334,138	(1,473)
Welfare	123,980	144,186	(20,206)
Culture and recreation	2,809,881	2,798,595	11,286
Conservation	19,800	21,127	(1,327)
Debt service:			
Principal	175,000	175,000	-
Interest	3,675	6,916	(3,241)
Total expenditures	<u>17,893,680</u>	<u>16,433,066</u>	<u>1,460,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(490,173)</u>	<u>557,793</u>	<u>1,047,966</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,631,016	502,941	(1,128,075)
Transfers out	(1,182,843)	(830,757)	352,086
Total other financing sources (uses)	<u>448,173</u>	<u>(327,816)</u>	<u>(775,989)</u>
Net change in fund balances	<u>\$ (42,000)</u>	<u>229,977</u>	<u>\$ 271,977</u>
Increase in nonspendable fund balance		(113,257)	
Unassigned fund balance, beginning		3,912,753	
Unassigned fund balance, ending		<u>\$ 4,029,473</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, 2023

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 3,630,004	\$ 3,641,671	\$ 11,667
Intergovernmental	-	76,902	76,902
Charges for services	144,700	124,601	(20,099)
Miscellaneous	500	52,432	51,932
Total revenues	<u>3,775,204</u>	<u>3,895,606</u>	<u>120,402</u>
EXPENDITURES			
Current:			
Public safety	<u>3,840,505</u>	<u>3,824,465</u>	<u>16,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,301)</u>	<u>71,141</u>	<u>136,442</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	308,801	117,205	(191,596)
Transfers out	<u>(243,500)</u>	<u>(243,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>65,301</u>	<u>(126,295)</u>	<u>(191,596)</u>
Net change in fund balances	<u>\$ -</u>	<u>(55,154)</u>	<u>\$ (55,154)</u>
Committed fund balance, beginning		771,915	
Committed fund balance, ending		<u>\$ 716,761</u>	

EXHIBIT E-1
TOWN OF HANOVER, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
June 30, 2023

	Business-type Activities		
	Enterprise Funds		Total Enterprise Funds
	Water	Water Reclamation	
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,191,388	\$ 2,191,388
Investments	1,146,487	1,190,544	2,337,031
Receivables, net of allowance for uncollectible:			
Accounts	389,006	-	389,006
Intergovernmental	-	580,657	580,657
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>10,887,130</u>	<u>15,395,791</u>	<u>26,282,921</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	84,016	130,692	214,708
Amounts related to other postemployment benefits	<u>13,817</u>	<u>21,254</u>	<u>35,071</u>
Total deferred outflows of resources	<u>97,833</u>	<u>151,946</u>	<u>249,779</u>
LIABILITIES			
Current liabilities:			
Accounts payable	24,894	51,515	76,409
Accrued interest payable	-	22,270	22,270
Internal balances	671,484	-	671,484
Long term liabilities:			
Due within one year	-	214,275	214,275
Due in more than one year	<u>2,182,924</u>	<u>2,881,452</u>	<u>5,064,376</u>
Total liabilities	<u>2,879,302</u>	<u>3,169,512</u>	<u>6,048,814</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts related to pensions	13,516	21,026	34,542
Amounts related to other postemployment benefits	<u>32,432</u>	<u>49,764</u>	<u>82,196</u>
Total deferred inflows of resources	<u>45,948</u>	<u>70,790</u>	<u>116,738</u>
NET POSITION			
Net investment in capital assets	7,671,040	9,126,194	16,797,234
Unrestricted	<u>388,673</u>	<u>3,181,241</u>	<u>3,569,914</u>
Total net position	<u>\$ 8,059,713</u>	<u>\$ 12,307,435</u>	<u>\$ 20,367,148</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, 2023

	Business-type Activities		
	Enterprise Funds		Total
	Water	Reclamation	Enterprise Funds
Operating revenues:			
User charges	\$ 2,014,241	\$ 2,994,496	\$ 5,008,737
Other sales	110,105	-	110,105
Fees and interest	1,556	-	1,556
Total operating revenues	<u>2,125,902</u>	<u>2,994,496</u>	<u>5,120,398</u>
Operating expenses:			
Salaries and wages	466,009	637,747	1,103,756
Operation and maintenance	612,650	865,684	1,478,334
Contractual services	105,520	87,856	193,376
Materials and supplies	5,269	317,654	322,923
Total operating expenses	<u>1,189,448</u>	<u>1,908,941</u>	<u>3,098,389</u>
Operating gain	<u>936,454</u>	<u>1,085,555</u>	<u>2,022,009</u>
Nonoperating revenue (expense):			
Interest income	42,524	44,485	87,009
Intergovernmental revenues	-	18,618	18,618
Interest expense	(69,518)	(76,968)	(146,486)
Other	6,949	1,550	8,499
Total nonoperating revenues (expense)	<u>(20,045)</u>	<u>(12,315)</u>	<u>(32,360)</u>
Change in net position	916,409	1,073,240	1,989,649
Net position, beginning, as restated (see Note 18)	<u>7,143,304</u>	<u>11,234,195</u>	<u>18,377,499</u>
Net position, ending	<u>\$ 8,059,713</u>	<u>\$ 12,307,435</u>	<u>\$ 20,367,148</u>

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

EXHIBIT E-3
TOWN OF HANOVER, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

	Business-type Activities		
	Enterprise Funds		Total
	Water	Reclamation	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,139,000	\$ 3,023,602	\$ 5,162,602
Payments to employees	(425,732)	(566,269)	(992,001)
Payments to suppliers	(714,635)	(1,279,036)	(1,993,671)
Net cash provided by operating activities	<u>998,633</u>	<u>1,178,297</u>	<u>2,176,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
State Aid grants received	-	85,240	85,240
Changes in internal balances	574,475	(116,194)	458,281
Principal paid on notes/loans	(760,748)	(810,266)	(1,571,014)
Interest paid	(138,812)	(117,580)	(256,392)
Net cash used for capital and related financing activities	<u>(325,085)</u>	<u>(958,800)</u>	<u>(1,283,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(716,072)	(449,999)	(1,166,071)
Interest on investments	42,524	44,485	87,009
Net cash used for investing activities	<u>(673,548)</u>	<u>(405,514)</u>	<u>(1,079,062)</u>
Net increase in cash and cash equivalents	-	(186,017)	(186,017)
Cash and cash equivalents, beginning	-	2,377,405	2,377,405
Cash and cash equivalents, ending	<u>\$ -</u>	<u>\$ 2,191,388</u>	<u>\$ 2,191,388</u>
<i>Reconciliation of Operating Gain to Net Cash Provided by Operating Activities</i>			
Operating gain	<u>\$ 936,454</u>	<u>\$ 1,085,555</u>	<u>\$ 2,022,009</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:			
Increase in accounts receivable	(10,701)	-	(10,701)
Decrease in intergovernmental receivables	-	29,106	29,106
Decrease in other receivables	23,799	-	23,799
Increase in deferred outflows related to pensions	(5,988)	(9,314)	(15,302)
Decrease in deferred outflows related to OPEB	1,915	2,973	4,888
Increase/(Decrease) in accounts payable	8,804	(7,842)	962
Increase in compensated absences	52,409	90,317	142,726
Increase in net pension liability	76,137	118,435	194,572
Decrease in OPEB liabilities	(863)	(1,340)	(2,203)
Decrease in deferred inflows related to pensions	(81,385)	(126,597)	(207,982)
Decrease in deferred inflows related to OPEB	(1,948)	(2,996)	(4,944)
Total adjustments	<u>62,179</u>	<u>92,742</u>	<u>154,921</u>
Net cash provided by operating activities	<u>\$ 998,633</u>	<u>\$ 1,178,297</u>	<u>\$ 2,176,930</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, 2023

	Private Purpose Trust	All Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,677	\$ 275,886	\$ 277,563
Investments	37,914	2,431,719	2,469,633
Total assets	<u>39,591</u>	<u>2,707,605</u>	<u>2,747,196</u>
NET POSITION			
Restricted	<u>\$ 39,591</u>	<u>\$ 2,707,605</u>	<u>\$ 2,747,196</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, 2023

	Private Purpose Trust	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ -	\$ 51,988	\$ 51,988
Investment earnings	1,411	66,587	67,998
Taxes collected for other governments	-	33,156,943	33,156,943
Motor vehicle permit fees collected	-	404,025	404,025
Unrealized loss on investments	3,090	142,773	145,863
Total additions	<u>4,501</u>	<u>33,822,316</u>	<u>33,826,817</u>
DEDUCTIONS			
Benefits paid	-	46,278	46,278
Administrative expenses	409	33,164	33,573
Payments of taxes to other governments	-	33,156,943	33,156,943
Payments of motor vehicle permit fees	-	404,025	404,025
Total deductions	<u>409</u>	<u>33,640,410</u>	<u>33,640,819</u>
Net increase in fiduciary net position	4,092	181,906	185,998
Net position, beginning	35,499	2,525,699	2,561,198
Net position, ending	<u>\$ 39,591</u>	<u>\$ 2,707,605</u>	<u>\$ 2,747,196</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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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, 2023

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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, 2023

NOTE I – 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. 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 current capital asset additions or depreciation expense 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 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.

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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, and debt service. 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.

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 eight 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, 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. 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. As in the Statement of Net Position, the Town has not recorded current capital asset additions or depreciation expense in this statement.

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.

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.

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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.

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

Level 1 – Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Level 2 – The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

Level 3 – Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

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 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. The Town has established a threshold of \$10,000 or more and an estimated useful life in excess of five years for capitalization of depreciable assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary funds are capitalized in the fund and the cost basis for the proprietary fund capital assets is the same as that used for general capital 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-type 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 6, 2022, and December 5, 2022, and were due on July 6, 2022, and January 4, 2023, 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, 2023, 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, 2022, utilized in the setting of the tax rate was as follows:

Total assessment valuation with utilities	\$ 2,704,861,844
Total assessment valuation without utilities	\$ 2,687,632,144

The tax rates and amounts assessed for the year ended June 30, 2023 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.15	\$ 11,207,959
School portion:		
State of New Hampshire	\$1.27	3,423,649
Local	\$9.62	26,018,880
County portion	\$1.37	3,714,414
Village portions:		
Fire District #1	\$1.38	2,707,657
Fire District #2	\$1.24	896,698
Fire District #3	\$0.62	13,426
Total	<u><u>\$19.65</u></u>	<u><u>\$ 47,982,683</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, 2023.

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, other unavailable revenue arises from registrations and other amounts collected in advance, which will be recognized as revenue in a future accounting 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 Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of the Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-O 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 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-P 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-Q 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.

1-R 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 future 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.

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.

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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.

The Town will maintain unassigned fund balance in the general fund of 10-15%. The percentage shall be calculated by dividing the unassigned fund balance at the end of the most recently completed fiscal year by the total of the annual gross fund appropriations, less capital projects funded from capital and other reserve funds as approved by Town Meeting. If the unassigned fund balance exceeds (or is projected to exceed) the range at the end of the fiscal year, the fund balance will be brought to its targeted upper limit over no more than three fiscal years. If the unassigned fund balance falls below (or is projected to be below) the range at the end of the fiscal year, the fund balance will be brought to its targeted lower limit over no more than three fiscal years.

1-S 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-T Material Change in Fund Classification

The accompanying financial statements reflect changes in classification from the prior year. Specifically, the parking fund did not qualify as a major fund for the current fiscal year. As such it 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 major general and fire governmental funds, major water and water reclamation proprietary funds, and nonmajor ambulance, parking, 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.

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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.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For fiscal year 2023, none of the beginning general fund unassigned fund balance was applied for this purpose. However, \$42,000 was voted from unassigned fund balance to fund fiscal year 2023 appropriations at the annual Town meeting.

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 fund. 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)	\$ 17,493,800
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	143,138
To eliminate transfers between the general fund and blended expendable trust funds	158,081
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	(24,470)
Per Exhibit C-3 (GAAP basis)	<u>\$ 17,770,549</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 17,263,823
Adjustments:	
Basis differences:	
Encumbrances, beginning	500,700
Encumbrances, ending	(447,510)
GASB Statement No. 54:	
To eliminate transfers between the general fund and blended expendable trust funds	(340,681)
Per Exhibit C-3 (GAAP basis)	<u>\$ 16,976,332</u>

2-C Deficit Fund Balances

The nonmajor downtown business service district fund and parking fund had a deficit fund balance of \$1,560 and \$102,484, respectively, at June 30, 2023. These deficits will be financed through future revenues of the funds. In addition, the nonmajor capital project fund had a deficit fund balance of \$470,801, which will be financed through future note issuances.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments,

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including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The Town has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and has determined that none of the agreements met the requirements of the statement.

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 \$26,425,952 and the bank balances totaled \$25,590,823.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 26,148,389
Cash per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	277,563
Total cash and cash equivalents	<u>\$ 26,425,952</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, 2023:

	Fair Value Hierarchy
	Level 1
Investments type:	
Equity exchange traded funds	\$ 5,201,929
Fixed income exchange traded funds	2,301,266
Total fair value of investments	7,503,195
Investments carried at amortized cost:	
NH Public Deposit Investment Pool	7,149,971
Total investments	\$ 14,653,166

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.

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.

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Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 12,183,533
Investments per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	2,469,633
Total investments	<u>\$ 14,653,166</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, 2023. Taxes receivable by year are as follows:

Property:	
Levy of 2023	\$ 5,734,263
Unredeemed (under tax lien):	
Levy of 2022	153,190
Levy of 2021	103,806
Levy of 2020	71,131
Taxes receivable	<u>\$ 6,062,390</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2023, consisted of accounts (billings for water, ambulance, and other miscellaneous amounts) and intergovernmental amounts arising State Aid for projects, see additional information in Note 14. 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, 2023 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	
			General	Nonmajor	Water	Reclamation
Receivables:						
Accounts	\$ 225,174	\$ 389,006	\$ 79,067	\$ 146,107	\$ 389,006	\$ -
Intergovernmental	210,343	580,657	210,343	-	-	580,657
Gross receivables	<u>435,517</u>	<u>969,663</u>	<u>289,410</u>	<u>146,107</u>	<u>389,006</u>	<u>580,657</u>
Less:						
Allowance for uncollectibles	(30,000)	-	-	(30,000)	-	-
Net total receivables	<u>\$ 405,517</u>	<u>\$ 969,663</u>	<u>\$ 289,410</u>	<u>\$ 116,107</u>	<u>\$ 389,006</u>	<u>\$ 580,657</u>

NOTE 7 – PREPAID ITEMS

Prepaid items at June 30, 2023 consisted of the following:

	Governmental Activities	Governmental Fund	
		General	
School district assessment	\$ 131,993	\$ 131,993	
Software	53,056	53,056	
Miscellaneous	4,052	4,052	
Postage	1,315	1,315	
Total	<u>\$ 190,416</u>	<u>\$ 190,416</u>	

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NOTE 8 – CAPITAL ASSETS

The Town did not update its capital asset information for the year ended June 30, 2023. Prior year balances have been carried forward. Capital asset activity is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
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><u>\$ 39,313,438</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,313,438</u></u>
Business-type activities:				
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><u>\$ 20,784,839</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,784,839</u></u>

The Town did not report any depreciation expense for the year ended June 30, 2023, as its capital asset information was not rolled forward.

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NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 671,484
Fire	General	178,816
General	Nonmajor	424,892
Nonmajor	General	1,203,866
		<u><u>\$ 2,479,058</u></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, 2023 is as follows:

	Transfers In:			
	Governmental Funds			
	General	Fire	Nonmajor	Total
Transfers out:				
General fund	\$ -	\$ 117,205	\$ 372,871	\$ 490,076
Fire fund	243,500	-	-	243,500
Permanent fund	160,000	-	-	160,000
Nonmajor funds	257,522	-	-	257,522
Total	<u><u>\$ 661,022</u></u>	<u><u>\$ 117,205</u></u>	<u><u>\$ 372,871</u></u>	<u><u>\$ 1,151,098</u></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 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Proprietary Funds			
	Governmental Activities	Business-type Activities		Water
		Water	Reclamation	
Amounts related to pensions, see Note 12	\$ 4,452,869	\$ 214,708	\$ 84,016	\$ 130,692
Amounts related to OPEB, see Note 13	455,001	35,071	13,817	21,254
Total deferred inflows of resources	<u><u>\$ 4,907,870</u></u>	<u><u>\$ 249,779</u></u>	<u><u>\$ 97,833</u></u>	<u><u>\$ 151,946</u></u>

Deferred inflows of resources are as follows:

	Governmental Activities	Governmental Funds	
		General	Nonmajor
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 82,217	\$ -
Property taxes collected in advance	6,660	6,660	-
Committed taxes not due until the subsequent fiscal year	24,146,837	24,146,837	-
Summer camp registrations not due until the subsequent fiscal year	160,760	160,760	-
Other miscellaneous amounts collected in advance	65,118	65,118	-
Grants received in advance of eligible expenditures	1,661,714	-	1,661,714
Parking fund TIF district revenue collected in advance	43,036	-	43,036
Amounts related to pensions, see Note 12	716,372	-	-
Amounts related to OPEB, see Note 13	922,470	-	-
Total deferred inflows of resources	<u><u>\$ 27,722,967</u></u>	<u><u>\$ 24,461,592</u></u>	<u><u>\$ 1,704,750</u></u>

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Deferred inflows of resources continued:

	Business-type Activities	Proprietary Funds	
		Water	Water Reclamation
Amounts related to pensions, see Note 12	\$ 34,542	\$ 13,516	\$ 21,026
Amounts related to OPEB, see Note 13	82,196	32,432	49,764
Total deferred inflows of resources	<u><u>\$ 116,738</u></u>	<u><u>\$ 45,948</u></u>	<u><u>\$ 70,790</u></u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due In More Than One Year
Governmental activities:						
Bonds payable - direct placements	\$ 1,970,000	\$ -	\$ (310,000)	\$ 1,660,000	\$ 245,000	\$ 1,415,000
Notes/loans payable - direct borrowings	694,057	-	(151,727)	542,330	140,425	401,905
Total bonds and notes/loans payable	2,664,057	-	(461,727)	2,202,330	385,425	1,816,905
Compensated absences	2,383,489	168,375	(73,078)	2,478,786	130,846	2,347,940
Net pension liability	14,953,006	4,035,246	-	18,988,252	-	18,988,252
Net other postemployment benefits	3,189,495	-	(42,174)	3,147,321	-	3,147,321
Total long-term liabilities	<u><u>\$ 23,190,047</u></u>	<u><u>\$ 4,203,621</u></u>	<u><u>\$ (576,979)</u></u>	<u><u>\$ 26,816,689</u></u>	<u><u>\$ 516,271</u></u>	<u><u>\$ 26,300,418</u></u>
Business-type activities:						
Notes/loans payable - direct borrowings	\$ 5,558,619	\$ -	\$ (1,571,014)	\$ 3,987,605	\$ 214,275	\$ 3,773,330
Compensated absences	154,285	10,049	(21,608)	142,726	-	142,726
Net pension liability	721,004	194,572	-	915,576	-	915,576
Net other postemployment benefits	234,947	-	(2,203)	232,744	-	232,744
Total long-term liabilities	<u><u>\$ 6,668,855</u></u>	<u><u>\$ 204,621</u></u>	<u><u>\$ (1,594,825)</u></u>	<u><u>\$ 5,278,651</u></u>	<u><u>\$ 214,275</u></u>	<u><u>\$ 5,064,376</u></u>

Long-term bonds and notes/loans are comprised of the following:

Governmental activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2023	Current Portion
Bonds payable - direct placements:						
Parking Facility	\$ 5,100,000	1999	2029	4.00-4.90%	<u><u>\$ 1,660,000</u></u>	<u><u>\$ 245,000</u></u>
Notes/loans payable - direct borrowing:						
Dresden School District - Property Option	\$ 2,000,000	2004	2024	0.00%	\$ 100,000	\$ 100,000
Trackless MT7 Sidewalk Machine	138,196	2020	2025	2.99%	47,389	23,345
Wheel Loader	125,600	2021	2025	4.50%	75,267	17,080
Bridge repairs and renovations	950,000	2021	2041	2.04%	319,674	-
Total direct borrowings					<u><u>\$ 542,330</u></u>	<u><u>\$ 140,425</u></u>

* The Town issued a note on December 10, 2021, for \$950,000 for the purpose of bridge repairs and renovations. However, the Town had only drawdowns totaling \$319,674 prior to the loan lapsing on December 1, 2022. The Town intends to issue a new note for the remaining unissued debt of \$630,326 but had not done so as of June 30, 2023.

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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, 2023	Current Portion
Notes/loans payable - direct borrowing:						
SRF Loan - Water	\$ 6,493,081	2007	2027	3.35%	\$ 1,680,597	\$ -
2008 SRF Loan - Sewer	\$ 2,963,955	2008	2027	3.49%	740,989	148,198
SRF Loan - Water Pollution	\$ 1,722,721	2012	2026	2.91%	276,072	66,077
SRF Loan - Water Pollution	\$ 4,235,000	2012	2027	2.55%	1,289,947	-
Total direct borrowings					\$ 3,987,605	\$ 214,275

The annual requirements to amortize all general obligation bonds and notes/loans outstanding as of June 30, 2023, 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
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	295,000	23,145	318,145	-	-	-
2029	310,000	15,190	325,190	-	-	-
Totals	<u>\$ 1,660,000</u>	<u>\$ 196,499</u>	<u>\$ 1,856,499</u>	<u>\$ 222,656</u>	<u>\$ 3,337</u>	<u>\$ 225,993</u>

Business-type activities:

Fiscal Year Ending June 30,	Notes/Loans - Direct Borrowings		
	Principal	Interest	Total
2024	\$ 214,275	\$ 33,879	\$ 248,154
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	<u>\$ 3,987,605</u>	<u>\$ 326,283</u>	<u>\$ 4,313,888</u>

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of June 30, 2023 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount	
			#
July 13, 2021	Capital repairs and renovations to selected bridges	\$ 630,326	#
May 9, 2023	Wastewater treatment facility	22,000,000	
May 9, 2023	Water distribution plan	7,800,000	
May 9, 2023	Purchase of a fire engine	1,200,000	
		<u>\$ 31,630,326</u>	

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, 2023.

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NOTE 12 – 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:

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
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 \$2,010,949, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the Town reported a liability of \$19,903,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Town's proportion was 0.35%, which was the same as its proportion measured as of June 30, 2021.

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For the year ended June 30, 2023, the Town recognized pension expense of \$1,771,069. At June 30, 2023 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	\$ 470,014	\$ 674,507
Changes in assumptions	1,058,725	-
Net difference between projected and actual investment earnings on pension plan investments	754,330	-
Differences between expected and actual experience	373,559	76,407
Contributions subsequent to the measurement date	2,010,949	-
Total	\$ 4,667,577	\$ 750,914

The \$2,010,949 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, 2024. 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,	
2024	\$ 568,311
2025	642,945
2026	(284,487)
2027	978,945
2028	-
Thereafter	-
Totals	\$ 1,905,714

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

Inflation:	2.0%
Salary increases:	5.4% 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, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

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 Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%		1% Increase 7.75%
		\$ 26,705,920	\$ 19,903,828	
June 30, 2022		\$ 26,705,920	\$ 19,903,828	\$ 14,248,519

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 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

13-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.

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

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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 2023 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 2022, 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 2023, the Town contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2023 was \$136,924, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2023, the Town reported a liability of \$1,222,793 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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, 2022, the Town's proportion was 0.32%, which was the same as its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized OPEB expense of \$77,587. At June 30, 2023, the Town reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 3,342
Contributions subsequent to the measurement date	136,924
Total	<u>\$ 140,266</u>

The \$136,924 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, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending	
June 30,	\$
2024	556
2025	144
2026	(1,315)
2027	3,957
2028	-
Thereafter	-
Totals	<u><u>\$ 3,342</u></u>

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Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021, and a measurement date of June 30, 2022. 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:	5.4% 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, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – 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 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, 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, 2022	5.75%	6.75%	7.75%

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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.

13-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.

Employees Covered by Benefit Terms – At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Active employees	151
Total participants covered by OPEB plan	<u><u>165</u></u>

Total OPEB Liability – The Town’s total OPEB liability of \$2,157,271 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$2,157,271 in the July 1, 2023, 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:	3.65%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.10%
Year Ultimate Trend is Reached	2075

The discount rate was based on a tax-exempt, high-quality municipal bond rate as of June 30, 2023.

Mortality rates are as follows:

General Employees

Pre-retirement: Pub-2010 headcount-weighted Employee General Mortality Tables, projected with fully 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.

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Police/Fire

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

Post-retirement:

Healthy retirees: 96% of Pub-2010 headcount-weighted Retiree Safety Mortality Tables for males and 99% 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 Safety Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

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

Changes in the Total OPEB Liability

	June 30,	
	2022	2023
OPEB liability, beginning of year	\$ 2,376,933	\$ 2,161,809
Changes for the year:		
Service cost	118,492	93,557
Interest	52,961	78,088
Assumption changes	(299,639)	64,390
Difference between actual and expected experience	-	(141,574)
Benefit payments	(86,938)	(98,999)
OPEB liability, end of year:	<u>\$ 2,161,809</u>	<u>\$ 2,157,271</u>

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The July 1, 2023, actuarial valuation was prepared using a discount rate of 3.65%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$2,335,862, or by 8.28%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,995,398, or by 7.50%.

	Discount Rate		
	1% Decrease	Baseline 3.65%	1% Increase
Total OPEB Liability	<u>\$ 2,335,862</u>	<u>\$ 2,157,271</u>	<u>\$ 1,995,398</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2023, actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,954,783, or by 9.39%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$2,394,447, or by 10.99%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	<u>\$ 1,954,783</u>	<u>\$ 2,157,271</u>	<u>\$ 2,394,447</u>

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Town recognized OPEB expense of \$53,746.

At June 30, 2023, 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	\$ 349,806	\$ 243,947
Differences between expected and actual experience	-	760,719
Total	<u>\$ 349,806</u>	<u>\$ 1,004,666</u>

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,	
2024	\$ (100,711)
2025	(96,739)
2026	(96,739)
2027	(97,206)
2028	(109,963)
Thereafter	(153,502)
Totals	<u>\$ (654,860)</u>

NOTE 14 – 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	\$ 145,530	\$ 15,229	\$ 160,759
C-862 Water Reclamation Facility Improvements	435,127	45,501	480,628
	<u>\$ 580,657</u>	<u>\$ 60,730</u>	<u>\$ 641,387</u>

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, 2023, the Town is due to receive the following annual amounts to offset debt payments:

Business-type activities:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	92,771	6,012	98,783
2029-2030	132,243	5,080	137,323
Total	<u>\$ 580,657</u>	<u>\$ 60,730</u>	<u>\$ 641,387</u>

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 15 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2023 are as follows:

General fund:	
General government	\$ 35,666
Public safety	272,397
Highways and streets	138,112
Culture and recreation	1,335
Total encumbrances	<u><u>\$ 447,510</u></u>

NOTE 16 - GOVERNMENTAL AND 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, 2023 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	(1,660,000)	-	(1,660,000)
Direct borrowings - notes/loans payable	(542,330)	(3,987,605)	(4,529,935)
Total net investment in capital assets	<u><u>37,111,108</u></u>	<u><u>16,797,234</u></u>	<u><u>53,908,342</u></u>
Restricted net position:			
Perpetual care - nonexpendable	5,981,761	-	5,981,761
Perpetual care - expendable	43,442	-	43,442
Conservation - donor restricted	50,000	-	50,000
Total restricted net position	<u><u>6,075,203</u></u>	<u><u>-</u></u>	<u><u>6,075,203</u></u>
Unrestricted			
Total net position	<u><u>\$ 29,706,351</u></u>	<u><u>\$ 20,367,148</u></u>	<u><u>\$ 50,073,499</u></u>
Business-type Activities			
Enterprise Funds		Total Enterprise Funds	Fiduciary Funds
Water		Water Reclamation	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	(1,680,597)	(2,307,008)	-
Total net investment in capital assets	<u><u>7,671,040</u></u>	<u><u>9,126,194</u></u>	<u><u>-</u></u>
Restricted net position:			
Private purpose trust	-	-	39,591
Trust funds	-	-	-
Trescott company	-	-	-
Total restricted net position	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>39,591</u></u>
Unrestricted			
Total net position	<u><u>\$ 388,673</u></u>	<u><u>3,181,241</u></u>	<u><u>\$ 39,591</u></u>
	<u><u>\$ 8,059,713</u></u>	<u><u>\$ 12,307,435</u></u>	<u><u>\$ 2,707,605</u></u>

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2023 include the following:

	General Fund	Fire Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 190,416	\$ -	\$ -	\$ -	\$ 190,416
Tax deeded property	19,628	-	-	-	19,628
Permanent fund - principal balance	-	-	5,981,761	-	5,981,761
Total nonspendable fund balance	<u>210,044</u>	<u>-</u>	<u>5,981,761</u>	<u>-</u>	<u>6,191,805</u>
Restricted:					
Permanent - income balance	-	-	43,442	-	43,442
Conservation - donor restricted	-	-	-	50,000	50,000
Total restricted fund balance	-	-	43,442	50,000	93,442
Committed:					
Expendable trust	2,368,468	-	-	-	2,368,468
Fire	-	716,761	-	-	716,761
Ambulance	-	-	-	164,864	164,864
Conservation	-	-	-	432,493	432,493
Lower Grafton County Prosecutorial	-	-	-	6,683	6,683
Recreation	-	-	-	69,812	69,812
Special purpose	-	-	-	17,134	17,134
Total committed fund balance	<u>2,368,468</u>	<u>716,761</u>	<u>-</u>	<u>690,986</u>	<u>3,776,215</u>
Assigned:					
Encumbrances	<u>447,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>447,510</u>
Unassigned (deficit):					
General fund	3,947,256	-	-	-	3,947,256
Downtown Business Service District (deficit)	-	-	-	(1,560)	(1,560)
Capital projects (deficit)	-	-	-	(470,801)	(470,801)
Parking (deficit)	-	-	-	(102,494)	(102,494)
Total unassigned fund balance (deficit)	<u>3,947,256</u>	<u>-</u>	<u>-</u>	<u>(574,855)</u>	<u>3,372,401</u>
Total governmental fund balances (deficit)	<u>\$ 6,973,278</u>	<u>\$ 716,761</u>	<u>\$ 6,025,203</u>	<u>\$ 166,131</u>	<u>\$ 13,881,373</u>

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2022, was restated to give retroactive effect to the following prior period adjustments:

	Governmental Activities	Business-type Activities	Governmental Fund		Proprietary Funds	
			General	Water	Water	Reclamation
To adjust interfund balances in the expendable trust funds	\$ (225,892)	\$ 49,097	\$ (225,892)	\$ 32,340	\$ 16,757	
Net position/fund balance, as previously reported	<u>27,727,401</u>	<u>18,328,402</u>	<u>6,404,953</u>	<u>7,110,964</u>	<u>11,217,438</u>	
Net position/fund balance, as restated	<u>\$ 27,501,509</u>	<u>\$ 18,377,499</u>	<u>\$ 6,179,061</u>	<u>\$ 7,143,304</u>	<u>\$ 11,234,195</u>	

TOWN OF HANOVER, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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JUNE 30, 2023

NOTE 19 – 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 2023, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2022 to June 30, 2023 by Primex³, 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 Primex³. 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 Primex³ 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 2023, the Town paid \$235,312 and \$169,753 to Primex³ for Workers' Compensation and Property/Liability, respectively. At this time, Primex³ 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 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 September 10, 2024, the date the June 30, 2023 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

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, 2023
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	June 30, 2023
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	June 30, 2022
Town's proportion of the net pension liability	0.36%	0.35%	0.35%	0.37%	0.37%	0.35%	0.34%	0.35%	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	\$ 19,903,828
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	\$ 10,312,220
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%	193.01%
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%	65.12%

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, 2023
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, 2023
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	June 30, 2022
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	\$ 2,010,949
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)	(2,010,949)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll (as of the fiscal year-end)	\$ 7,849,449	\$ 8,160,486	\$ 8,722,964	\$ 9,382,153	\$ 9,158,574	\$ 9,276,905	\$ 9,965,867	\$ 10,312,220	\$ 10,295,975
Contributions as a percentage of covered payroll	14.82%	15.58%	15.62%	16.69%	16.72%	16.21%	16.30%	15.76%	19.53%

TOWN OF HANOVER, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

***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.

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, 2023. 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, 2023
Unaudited

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Fiscal year-end							
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Town's proportion of the net OPEB liability	0.22%	0.23%	0.35%	0.34%	0.30%	0.32%	0.32%
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	\$ 1,222,793
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	\$ 10,295,975
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%	11.88%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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, 2023
Unaudited

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Fiscal year-end							
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 127,273	\$ 137,760	\$ 153,506	\$ 139,421	\$ 151,435	\$ 151,517	\$ 136,924
Contributions in relation to the contractually required contribution	(127,273)	(137,760)	(153,506)	(139,421)	(151,435)	(151,517)	(136,924)
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	\$ 10,295,975
Contributions as a percentage of covered payroll	1.46%	1.47%	1.68%	1.50%	1.52%	1.41%	1.33%

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, 2023
Unaudited

	June 30,					
	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 2,456,036	\$ 2,488,933	\$ 2,610,157	\$ 3,093,329	\$ 2,376,933	\$ 2,161,809
Changes for the year:						
Service cost	104,375	102,680	118,134	158,231	118,492	93,557
Interest	89,997	98,463	93,951	70,711	52,961	78,088
Assumption changes	(68,394)	230,909	359,026	(13,686)	(299,639)	64,390
Differences between actual and expected experience	-	(216,139)	-	(827,706)	-	(141,574)
Benefit payments	(93,081)	(94,689)	(87,939)	(103,946)	(86,938)	(98,999)
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>	<u>\$ 2,157,271</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>	<u>\$ 10,502,749</u>
Total OPEB liability as a percentage of covered payroll	27.16%	27.75%	30.32%	22.71%	20.99%	20.54%

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, 2023

***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.

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, 2023. 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 3.54% as of June 30, 2022, to 3.65% as of June 30, 2023. In addition, the inflation rate and healthcare trend rates were updated.

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, 2023. 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 I
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, 2023

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 10,910,118	\$ 10,582,091	\$ (328,027)
Land use change	10,000	45,183	35,183
Yield	12,000	12,820	820
Payment in lieu of taxes	22,401	80,911	58,510
Interest and penalties on taxes	65,000	38,848	(26,152)
Total from taxes	<u>11,019,519</u>	<u>10,759,853</u>	<u>(259,666)</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	1,500,000	1,609,021	109,021
Building permits	455,000	819,561	364,561
Other	288,550	190,459	(98,091)
Total from licenses, permits, and fees	<u>2,243,550</u>	<u>2,619,041</u>	<u>375,491</u>
Intergovernmental:			
State:			
Meals and rooms distribution	896,844	896,844	-
Highway block grant	290,797	290,760	(37)
Federal:			
CARES Act	-	61,959	61,959
Total from intergovernmental	<u>1,187,641</u>	<u>1,249,563</u>	<u>61,922</u>
Charges for services:			
Income from departments	1,765,797	1,654,816	(110,981)
Other charges	1,057,000	5,928	(1,051,072)
Total from miscellaneous	<u>2,822,797</u>	<u>1,660,744</u>	<u>(1,162,053)</u>
Miscellaneous:			
Sale of municipal property	17,500	41,037	23,537
Interest on investments	100,000	445,623	345,623
Other	12,500	214,998	202,498
Total from miscellaneous	<u>130,000</u>	<u>701,658</u>	<u>571,658</u>
Other financing sources:			
Transfers in	1,631,016	502,941	(1,128,075)
Total revenues and other financing sources	<u>19,034,523</u>	<u>\$ 17,493,800</u>	<u>\$ (1,540,723)</u>
Amounts voted from fund balance	42,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 19,076,523</u>		

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, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 388,612	\$ 173,400	\$ -	\$ 215,212
Election and registration	-	114,117	173,824	-	(59,707)
Financial administration	-	420,345	300,329	65	119,951
Revaluation of property	11,157	290,938	267,823	11,738	22,534
Legal	-	70,000	112,688	-	(42,688)
Personnel administration	2,274	3,204,572	3,051,806	3,086	151,954
Planning and zoning	42,841	825,299	687,761	-	180,379
General government buildings	24,137	976,776	926,381	15,777	58,755
Cemeteries	-	15,850	24,200	5,000	(13,350)
Insurance, not otherwise allocated	-	67,636	86,196	-	(18,560)
Other	-	343,251	337,032	-	6,219
Total general government	<u>80,409</u>	<u>6,717,396</u>	<u>6,141,440</u>	<u>35,666</u>	<u>620,699</u>
Public safety:					
Police	24,500	2,455,911	2,496,930	28,906	(45,425)
Other	166,830	790,608	1,205,429	243,491	(491,482)
Total public safety	<u>191,330</u>	<u>3,246,519</u>	<u>3,702,359</u>	<u>272,397</u>	<u>(536,907)</u>
Highways and streets:					
Administration	205,294	922,298	919,580	77,869	130,143
Highways and streets	22,667	3,129,500	1,832,045	60,243	1,259,879
Bridges	1,000	15,325	1,516	-	14,809
Street lighting	-	110,000	118,789	-	(8,789)
Other	-	23,600	4,491	-	19,109
Total highways and streets	<u>228,961</u>	<u>4,200,723</u>	<u>2,876,421</u>	<u>138,112</u>	<u>1,415,151</u>
Sanitation:					
Solid waste collection	-	242,235	262,219	-	(19,984)
Solid waste disposal	-	21,806	25,190	-	(3,384)
Total sanitation	<u>-</u>	<u>264,041</u>	<u>287,409</u>	<u>-</u>	<u>(23,368)</u>
Health:					
Administration	-	-	4,001	-	(4,001)
Pest control	-	4,000	2,500	-	1,500
Health agencies	-	328,665	327,637	-	1,028
Total health	<u>-</u>	<u>332,665</u>	<u>334,138</u>	<u>-</u>	<u>(1,473)</u>
Welfare:					
Administration and direct assistance	-	20,680	40,886	-	(20,206)
Vendor payments and other	-	103,300	103,300	-	-
Total welfare	<u>-</u>	<u>123,980</u>	<u>144,186</u>	<u>-</u>	<u>(20,206)</u>
Culture and recreation:					
Parks and recreation	-	1,473,563	1,344,871	-	128,692
Library	-	1,336,318	1,452,389	1,335	(117,406)
Total culture and recreation	<u>-</u>	<u>2,809,881</u>	<u>2,797,260</u>	<u>1,335</u>	<u>11,286</u>
Conservation	<u>-</u>	<u>19,800</u>	<u>21,127</u>	<u>-</u>	<u>(1,327)</u>

(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, 2023

	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	-	3,675	6,916	-	(3,241)
Total debt service	-	178,675	181,916	-	(3,241)
Other financing uses:					
Transfers out	-	1,182,843	830,757	-	352,086
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 500,700</u>	<u>\$ 19,076,523</u>	<u>\$ 17,317,013</u>	<u>\$ 447,510</u>	<u>\$ 1,812,700</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, 2023

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)	\$ 3,912,753
Changes:	
Amounts voted from fund balance	(42,000)
2022-23 Budget summary:	
Revenue shortfall (Schedule 1)	\$ (1,540,723)
Unexpended balance of appropriations (Schedule 2)	<u>1,812,700</u>
Budget surplus	271,977
Increase in nonspendable fund balance	<u>(113,257)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)	4,029,473
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>	
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis	<u>(82,217)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)	<u><u>\$ 3,947,256</u></u>

SCHEDULE 4
TOWN OF HANOVER, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

Special Revenue Funds										
	Downtown Lower									
	Ambulance	Conservation	District	Business Service	Grafton	County	Parking	Recreation	Special Purpose	Capital Projects
ASSETS										
Cash and cash equivalents	\$ 63,326	\$ 38,817	\$ -	\$ 6,683	\$ 243,647	\$ 73,147	\$ 17,134	\$ 153,169	\$ 595,923	
Investments	-	423,676	-	-	-	-	-	-	-	423,676
Accounts receivable (net)	116,107	-	-	-	-	-	-	-	-	116,107
Interfund receivable	-	20,000	-	-	22,900	-	-	-	1,160,966	1,203,866
Total assets	\$ 179,433	\$ 482,493	\$ -	\$ 6,683	\$ 266,547	\$ 73,147	\$ 17,134	\$ 1,314,135	\$ 2,339,572	
LIABILITIES										
Accounts payable	\$ 14,569	\$ -	\$ -	\$ -	\$ 25,895	\$ 3,335	\$ -	\$ -	\$ -	\$ 43,799
Interfund payable	-	-	1,560	-	300,110	-	-	-	123,222	424,892
Total liabilities	14,569	-	1,560	-	326,005	3,335	-	-	123,222	468,691
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - Grants received in advance	-	-	-	-	43,036	-	-	-	1,661,714	1,704,750
FUND BALANCES (DEFICIT)										
Restricted	-	50,000	-	-	-	-	-	-	-	50,000
Committed	164,864	432,493	-	6,683	-	69,812	17,134	-	-	690,986
Unassigned (deficit)	-	-	(1,560)	-	(102,494)	-	-	-	(470,801)	(574,855)
Total fund balances (deficit)	164,864	482,493	(1,560)	6,683	(102,494)	69,812	17,134	(470,801)	166,131	
Total liabilities, deferred inflows of resources, and fund balances	\$ 179,433	\$ 482,493	\$ -	\$ 6,683	\$ 266,547	\$ 73,147	\$ 17,134	\$ 1,314,135	\$ 2,339,572	

See Independent Auditor's Report.

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, 2023

	Special Revenue Funds									
			Downtown		Lower					
			Business	Service	County					
	Ambulance	Conservation	District	Prosecutorial	Parking	Recreation	Special	Purpose	Capital	Projects
Revenues:										Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 86,024	\$ -	\$ -	\$ -	\$ -	\$ 86,024
Intergovernmental	221,628	-	-	-	-	-	-	-	-	221,628
Charges for services	593,422	-	-	-	2,149,476	-	3,533	-	-	2,746,431
Miscellaneous	74	128,411	-	-	13,750	14,945	6,141	152,582	152,582	315,903
Total revenues	815,124	128,411	-	-	2,249,250	14,945	9,674	152,582	152,582	3,369,986
Expenditures:										
Current:										
General government	-	-	-	-	-	-	6,638	-	-	6,638
Public safety	971,165	-	-	-	1,571,899	-	-	-	-	2,543,064
Culture and recreation	-	-	-	-	-	7,347	39,138	970	47,455	
Conservation	-	3,575	1,560	-	-	-	-	-	-	5,135
Debt service:										
Principal	-	-	-	-	235,000	-	-	-	-	235,000
Interest	-	-	-	-	76,035	-	-	-	-	76,035
Capital outlay	-	-	-	-	-	-	-	532,695	532,695	
Total expenditures	971,165	3,575	1,560	-	1,882,934	7,347	45,776	533,665	533,665	3,446,022
Excess (deficiency) of revenues over (under) expenditures	(156,041)	124,836	(1,560)	-	366,316	7,598	(36,102)	(381,083)	(381,083)	(76,036)
Other financing sources (uses):										
Transfers in	327,637	22,334	-	-	22,900	-	-	-	-	372,871
Transfers out	(82,567)	-	-	-	(174,955)	-	-	-	-	(257,522)
Total other financing sources (uses)	245,070	22,334	-	-	(152,055)	-	-	-	-	115,349
Net change in fund balances	89,029	147,170	(1,560)	-	214,261	7,598	(36,102)	(381,083)	(381,083)	39,313
Fund balances (deficit), beginning	75,835	335,323	-	6,683	(316,755)	62,214	53,236	(89,718)	(89,718)	126,818
Fund balances (deficit), ending	\$ 164,864	\$ 482,493	\$ (1,560)	\$ 6,683	\$ (102,494)	\$ 69,812	\$ 17,134	\$ (470,801)	\$ (470,801)	\$ 166,131

SCHEDULE 6
TOWN OF HANOVER, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
June 30, 2023

	Custodial Funds					
	School and County Taxes	School Trust Funds	Trescott Company	State Fees	Total	
ASSETS						
Cash and cash equivalents	\$ -	\$ 60,670	\$ 215,216	\$ -	\$ 275,886	
Investments	-	2,431,719	-	-	2,431,719	
Total assets	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION						
Restricted	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

SCHEDULE 7
TOWN OF HANOVER, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2023

	Custodial Funds					
	School and County Taxes	School Trust Funds	Tresscott Company	State Fees	Total	
Additions:						
Contributions	\$ -	\$ -	\$ 51,988	\$ -	\$ 51,988	
Investment earnings	-	66,587	-	-	66,587	
Tax collections for other governments	33,156,943	-	-	-	33,156,943	
Motor vehicle permit fees collected	-	-	-	404,025	404,025	
Unrealized loss on investments	-	142,773	-	-	142,773	
Total additions	<u>33,156,943</u>	<u>209,360</u>	<u>51,988</u>	<u>404,025</u>	<u>33,822,316</u>	
Deductions:						
Benefits paid	-	46,278	-	-	46,278	
Administrative expenses	-	8,176	24,988	-	33,164	
Payments of taxes to other governments	33,156,943	-	-	-	33,156,943	
Payments of motor vehicle permit fees	-	-	-	404,025	404,025	
Total deductions	<u>33,156,943</u>	<u>54,454</u>	<u>24,988</u>	<u>404,025</u>	<u>33,640,410</u>	
Change in net position	-	154,906	27,000	-	181,906	
Net position, beginning	-	2,337,483	188,216	-	2,525,699	
Net position, ending	<u>\$ -</u>	<u>\$ 2,492,389</u>	<u>\$ 215,216</u>	<u>\$ -</u>	<u>\$ 2,707,605</u>	



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, 2023, 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Probable. The future event or events are likely to occur.

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. 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 Material 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 JEs 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, and bridge projects. 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 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, 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.

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 fund also needs to be evaluated to ensure it remains within budget and is adequately funded.
- 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.

Town of Hanover
Independent Auditor's Communication of Material Weaknesses

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.
 - 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.

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.

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.

September 10, 2024
Concord, New Hampshire

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