

TOWN OF HANOVER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2017

Town of Hanover, New Hampshire

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INDEPENDENT AUDITORS' REPORT

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

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, New Hampshire, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opin-

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, New Hampshire, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 53 to 55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

December 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hanover, we offer readers this narrative overview and analysis of the financial activities of the Town of Hanover for the fiscal year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and human services and culture and recreation. The business-type activities include water and water reclamation activities.

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

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

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

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

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$40,165,719 (i.e., net position), a change of \$4,620,885 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$11,250,956, a change of \$5,297,907 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,717,290, a change of \$276,947 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 34,641,621	\$ 30,106,724	\$ 4,369,339	\$ 3,304,162	\$ 39,010,960	\$ 33,410,886
Capital assets	<u>35,264,410</u>	<u>35,719,941</u>	<u>25,296,547</u>	<u>26,255,844</u>	<u>60,560,957</u>	<u>61,975,785</u>
Total assets	69,906,031	65,826,665	29,665,886	29,560,006	99,571,917	95,386,671
Deferred outflows	4,639,816	2,024,346	634,740	125,659	5,274,556	2,150,005
Current liabilities	18,555,887	19,365,073	2,912,196	2,246,471	21,468,083	21,611,544
Noncurrent liabilities	<u>24,448,407</u>	<u>20,468,043</u>	<u>12,562,306</u>	<u>12,165,901</u>	<u>37,010,713</u>	<u>32,633,944</u>
Total liabilities	43,004,294	39,833,116	15,474,502	14,412,372	58,478,796	54,245,488
Deferred inflows	6,074,363	7,588,751	127,595	157,603	6,201,958	7,746,354
Net position:						
Net investment in capital assets	32,139,806	32,483,519	14,248,022	13,972,064	46,387,828	46,455,583
Restricted	6,700,501	2,171,591	-	-	6,700,501	2,171,591
Unrestricted	<u>(13,373,117)</u>	<u>(14,225,966)</u>	<u>450,507</u>	<u>1,143,626</u>	<u>(12,922,610)</u>	<u>(13,082,340)</u>
Total net position	\$ <u>25,467,190</u>	\$ <u>20,429,144</u>	\$ <u>14,698,529</u>	\$ <u>15,115,690</u>	\$ <u>40,165,719</u>	\$ <u>35,544,834</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$40,165,719, a change of \$4,620,885 from the prior year.

The largest portion of net position, \$46,387,828, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$6,700,501, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(12,922,610), is a deficit, primarily resulting from the Town's unfunded net pension liability.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	2016
	2017	2016	2017	2016		
Revenues:						
Program revenues:						
Charges for services	\$ 4,843,318	\$ 4,956,680	\$ 4,716,612	\$ 4,445,025	\$ 9,559,930	\$ 9,401,705
Operating grants and contributions	420,346	396,063	405,250	122,214	825,596	518,277
Capital grants and contributions	5,000	169,486	38,800	12,500	43,800	181,986
General revenues:						
Property taxes	12,518,621	12,008,034	-	-	12,518,621	12,008,034
Motor vehicle permit fees	1,504,266	1,481,692	-	-	1,504,266	1,481,692
Penalties and interest on taxes	277,215	305,221	-	-	277,215	305,221
Grants and contributions not restricted to specific programs	873,024	829,545	-	1,965	873,024	831,510
Investment income	459,302	46,476	5,962	2,727	465,264	49,203
Other	3,838,251	207,661	13,206	6,742	3,851,457	214,403
Total revenues	24,739,343	20,400,858	5,179,830	4,591,173	29,919,173	24,992,031
Expenses:						
General government	4,993,686	4,921,432	-	-	4,993,686	4,921,432
Public safety	8,093,265	7,562,336	-	-	8,093,265	7,562,336
Highway and streets	3,411,879	2,800,375	-	-	3,411,879	2,800,375
Sanitation	242,370	921,321	-	-	242,370	921,321
Health and human services	455,506	365,166	-	-	455,506	365,166
Culture and recreation	2,273,442	2,116,551	-	-	2,273,442	2,116,551
Interest on long-term debt	163,431	173,501	-	-	163,431	173,501
Water	-	-	2,136,407	1,628,085	2,136,407	1,628,085
Water reclamation	-	-	3,528,302	2,921,184	3,528,302	2,921,184
Total expenses	19,633,579	18,860,682	5,664,709	4,549,269	25,298,288	23,409,951
Change in net position before permanent fund contributions	5,105,764	1,540,176	(484,879)	41,904	4,620,885	1,582,080
Transfers in (out)	(67,718)	-	67,718	-	-	-
Change in net position	5,038,046	1,540,176	(417,161)	41,904	4,620,885	1,582,080
Net position - beginning of year	<u>20,429,144</u>	<u>18,888,968</u>	<u>15,115,690</u>	<u>15,073,786</u>	<u>35,544,834</u>	<u>33,962,754</u>
Net position - end of year	\$ 25,467,190	\$ 20,429,144	\$ 14,698,529	\$ 15,115,690	\$ 40,165,719	\$ 35,544,834

Governmental activities. Governmental activities for the year resulted in a change in net position of \$5,038,046. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 898,952
Fire fund activity	41,999
Parking fund activity	232,624
Nonmajor fund activity	4,124,332
Depreciation expense in excess of principal debt service	(2,132,596)
Change in long-term liabilities	(4,360,090)
Other	<u>6,232,825</u>
Total	\$ <u>5,038,046</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(417,161). Key elements of this change are as follows:

Water operations	\$ 149,402
Water reclamation operations	<u>(566,563)</u>
Total	\$ <u>(417,161)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,250,956, a change of \$5,297,907 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 898,952
Fire fund operating results	41,999
Parking fund operating results	232,624
Nonmajor fund operating results	<u>4,124,332</u>
Total	\$ <u>5,297,907</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,717,290, while total fund balance was \$4,287,146. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,717,290	\$ 1,440,343	\$ 276,947	12.9%
Total fund balance	\$ 4,287,146	\$ 3,388,194	\$ 898,952	32.2%

The total fund balance of the general fund changed by \$898,952 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 184,553
Expenditures less than budget	36,969
Expenditures of current year encumbrance over prior year encumbrance	321,637
Change in capital reserves	489,230
Use of fund balance as a funding source	(177,000)
Excess of tax collections as compared to budget	<u>43,563</u>
 Total	 <u>\$ 898,952</u>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
Capital reserves	\$ <u>1,563,468</u>	\$ <u>1,074,238</u>	\$ <u>489,230</u>
Total	\$ <u>1,563,468</u>	\$ <u>1,074,238</u>	\$ <u>489,230</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$450,507.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$60,560,957 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Governmental Activities:

SHIM Overlay Paving Program	\$ 644,647
Western Star Dump Truck	\$ 176,320
Sno Go Hydrostatic Drive Loader	\$ 128,427
Traffic Signal Equipment	\$ 82,170

Business-type Activities:

OVIVO Grit Removal System	\$ 351,175
Gas Fired Buderus Boiler	\$ 85,456
Water Distribution System	\$ 63,900

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$14,108,950, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Hanover's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

TOWN OF HANOVER, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 22,958,213	\$ 620,471	\$ 23,578,684
Investments	4,313,863	-	4,313,863
Restricted cash	1,594,366	-	1,594,366
Receivables, net of allowance for uncollectibles:			
Property taxes	4,907,696	-	4,907,696
User fees	246,497	1,099,304	1,345,801
Intergovernmental	-	320,166	320,166
Internal balances	83,393	(167,730)	(84,337)
Other assets	273,172	1,138,659	1,411,831
Noncurrent:			
Property taxes	264,421	-	264,421
Capital Assets:			
Land and construction in progress	4,624,499	390,582	5,015,081
Other assets, net of accumulated depreciation	30,639,911	24,905,965	55,545,876
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>4,639,816</u>	<u>634,740</u>	<u>5,274,556</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	74,545,847	28,942,157	103,488,004
LIABILITIES			
Current:			
Accounts payable	680,228	105,360	785,588
Accrued liabilities	324,005	319,386	643,391
Due to other governments	16,175,444	-	16,175,444
Other liabilities	668,226		668,226
Current portion of long-term liabilities:			
Bonds payable	260,000	1,034,193	1,294,193
Other	320,765	83,878	404,643
Noncurrent:			
Bonds payable, net of current portion	3,110,000	9,704,757	12,814,757
Net pension liability	16,677,575	2,281,540	18,959,115
Net OPEB obligation	2,143,130	148,595	2,291,725
Other, net of current portion	2,517,702	427,414	2,945,116
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>932,695</u>	<u>127,595</u>	<u>1,060,290</u>
Unearned revenues	<u>5,268,887</u>	<u>10,910</u>	<u>5,279,797</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	49,078,657	14,243,628	63,322,285
NET POSITION			
Net investment in capital assets	32,139,806	14,248,022	46,387,828
Restricted for:			
Grants and other statutory restrictions	2,208,183	-	2,208,183
Permanent funds:			
Nonexpendable	4,319,745	-	4,319,745
Expendable	172,573	-	172,573
Unrestricted	<u>(13,373,117)</u>	<u>450,507</u>	<u>(12,922,610)</u>
TOTAL NET POSITION	<u>\$ 25,467,190</u>	<u>\$ 14,698,529</u>	<u>\$ 40,165,719</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 4,993,686	\$ 510,387	\$ 189,477	\$ -	\$ (4,293,822)	\$ -	\$ (4,293,822)
Public safety	8,093,265	3,693,569	222,793	-	(4,176,903)	-	(4,176,903)
Highway and streets	3,411,879	35,748	-	5,000	(3,371,131)	-	(3,371,131)
Sanitation	242,370	7,493	-	-	(234,877)	-	(234,877)
Health and human services	455,506	1,673	2,576	-	(451,257)	-	(451,257)
Culture and recreation	2,273,442	594,448	5,500	-	(1,673,494)	-	(1,673,494)
Interest	163,431	-	-	-	(163,431)	-	(163,431)
Total Governmental Activities	19,633,579	4,843,318	420,346	5,000	(14,364,915)	-	(14,364,915)
Business-Type Activities:							
Water operations	2,136,407	2,208,523	-	-	-	72,116	72,116
Water reclamation operations	3,528,302	2,508,089	405,250	38,800	-	(576,163)	(576,163)
Total Business-Type Activities	5,664,709	4,716,612	405,250	38,800	-	(504,047)	(504,047)
Total	\$ 25,298,288	\$ 9,559,930	\$ 825,596	\$ 43,800	(14,364,915)	(504,047)	(14,868,962)
General Revenues:							
Property taxes					12,518,621	-	12,518,621
Motor vehicle permit fees					1,504,266	-	1,504,266
Penalties, interest, and other taxes					277,215	-	277,215
Grants and contributions not restricted to specific programs					873,024	-	873,024
Investment income					459,302	5,962	465,264
Miscellaneous					3,838,251	13,206	3,851,457
Transfers, net					(67,718)	67,718	-
Total general revenues					19,402,961	86,886	19,489,847
Change in Net Position					5,038,046	(417,161)	4,620,885
Net Position:							
Beginning of year					20,429,144	15,115,690	35,544,834
End of year					\$ 25,467,190	\$ 14,698,529	\$ 40,165,719

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

TOWN OF HANOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 22,282,491	\$ -	\$ -	\$ 675,722	\$ 22,958,213
Investments	-	-	-	4,313,863	4,313,863
Restricted cash	1,594,366	-	-	-	1,594,366
Receivables:					
Property taxes	5,205,724	-	-	-	5,205,724
User fees	69,594	3,460	68,913	104,530	246,497
Due from other funds	1,641,477	1,974,094	986,371	1,841,396	6,443,338
Other assets	159,741	25,679	3,822	1,652	190,894
TOTAL ASSETS	\$ 30,953,393	\$ 2,003,233	\$ 1,059,106	\$ 6,937,163	\$ 40,952,895
LIABILITIES					
Accounts payable	\$ 587,166	\$ 48,611	\$ 25,223	\$ 19,227	\$ 680,227
Accrued liabilities	249,171	-	-	-	249,171
Due to other governments	16,175,444	-	-	-	16,175,444
Tax refunds payable	185,679	-	-	-	185,679
Due to other funds	3,497,814	1,567,697	11,101	1,283,333	6,359,945
Deposits held in custody	-	-	-	4,249	4,249
Other liabilities	478,298	-	-	-	478,298
TOTAL LIABILITIES	21,173,572	1,616,308	36,324	1,306,809	24,133,013
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	5,492,675	25,679	47,487	3,085	5,568,926
FUND BALANCES					
Nonspendable	46,747	-	-	4,319,745	4,366,492
Restricted	-	361,246	975,295	1,044,215	2,380,756
Committed	1,757,093	-	-	263,309	2,020,402
Assigned	766,016	-	-	-	766,016
Unassigned	1,717,290	-	-	-	1,717,290
TOTAL FUND BALANCES	4,287,146	361,246	975,295	5,627,269	11,250,956
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,953,393	\$ 2,003,233	\$ 1,059,106	\$ 6,937,163	\$ 40,952,895

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

TOWN OF HANOVER, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total governmental fund balances	\$ 11,250,956
• Investment in Trescott Company is not a financial resource and, therefore, is not reported in the funds.	73,200
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	35,264,410
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	275,510
• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(25,029,172)
• Other	<u>3,632,286</u>
Net position of governmental activities	<u>\$ 25,467,190</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 9,373,563	\$ 3,026,887	\$ 87,289	\$ -	\$ 12,487,739
Penalties, interest, and other taxes	251,798	25,417	-	-	277,215
Charges for services	1,341,972	138,468	1,806,453	1,274,238	4,561,131
Intergovernmental	1,083,728	20,165	-	194,477	1,298,370
Licenses and permits	1,786,453	-	-	-	1,786,453
Investment income	90,874	-	-	368,428	459,302
Miscellaneous	61,639	-	-	56,350	117,989
Contributions	<u>48,523</u>	<u>145</u>	<u>240</u>	<u>3,671,354</u>	<u>3,720,262</u>
Total Revenues	<u>14,038,550</u>	<u>3,211,082</u>	<u>1,893,982</u>	<u>5,564,847</u>	<u>24,708,461</u>
Expenditures:					
Current:					
General government	4,741,184	-	-	285,648	5,026,832
Public safety	2,469,877	3,086,093	1,255,884	957,461	7,769,315
Highway and streets	3,158,187	-	-	-	3,158,187
Sanitation	198,817	-	-	72,177	270,994
Health and human services	455,506	-	-	-	455,506
Culture and recreation	2,095,445	-	-	54,725	2,150,170
Conservation	16,368	-	-	7,475	23,843
Debt service	<u>197,314</u>	<u>-</u>	<u>321,474</u>	<u>-</u>	<u>518,788</u>
Total Expenditures	<u>13,332,698</u>	<u>3,086,093</u>	<u>1,577,358</u>	<u>1,377,486</u>	<u>19,373,635</u>
Excess (deficiency) of revenues over expenditures	705,852	124,989	316,624	4,187,361	5,334,826
Other Financing Sources (Uses):					
Issuance of capital lease	30,799	-	-	-	30,799
Transfers in	510,423	60,100	21,000	79,934	671,457
Transfers out	<u>(348,122)</u>	<u>(143,090)</u>	<u>(105,000)</u>	<u>(142,963)</u>	<u>(739,175)</u>
Total Other Financing Sources (Uses)	<u>193,100</u>	<u>(82,990)</u>	<u>(84,000)</u>	<u>(63,029)</u>	<u>(36,919)</u>
Change in fund balance	898,952	41,999	232,624	4,124,332	5,297,907
Fund Equity, at Beginning of Year	<u>3,388,194</u>	<u>319,247</u>	<u>742,671</u>	<u>1,502,937</u>	<u>5,953,049</u>
Fund Equity, at End of Year	<u>\$ 4,287,146</u>	<u>\$ 361,246</u>	<u>\$ 975,295</u>	<u>\$ 5,627,269</u>	<u>\$ 11,250,956</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ 5,297,907
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- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,027,065
Depreciation	(2,482,596)

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of debt	(30,799)
Repayments of debt	372,573
Change in net pension liability	(3,774,774)
Change in net OPEB liability	(370,067)
Other	3,967,855

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

Change in net position of governmental activities	<u>30,882</u>
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	<u>\$ 5,038,046</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HANOVER, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Other Sources:				
Property taxes	\$ 9,330,000	\$ 9,330,000	\$ 9,330,000	\$ -
Penalties, interest, and other taxes	216,147	216,147	251,798	35,651
Charges for services	1,437,125	1,437,125	1,341,972	(95,153)
Intergovernmental	917,639	917,639	1,083,728	166,089
Licenses and permits	1,760,938	1,760,938	1,786,453	25,515
Investment income	35,000	35,000	81,786	46,786
Miscellaneous	79,395	79,395	61,639	(17,756)
Contributions	16,500	16,500	48,523	32,023
Transfers in	519,025	519,025	510,423	(8,602)
Use of fund balance	<u>177,000</u>	<u>177,000</u>	<u>177,000</u>	-
Total Revenues and Other Sources	14,488,769	14,488,769	14,673,322	184,553
Expenditures and Other Uses:				
General government	4,899,190	4,899,190	4,831,974	67,216
Public safety	2,647,577	2,647,577	2,697,502	(49,925)
Highway and streets	3,282,601	3,282,601	3,104,570	178,031
Sanitation	222,370	222,370	198,817	23,553
Health and human services	285,392	285,392	375,753	(90,361)
Welfare	90,962	90,962	79,753	11,209
Culture and recreation	2,137,563	2,137,563	2,095,445	42,118
Conservation	21,800	21,800	42,408	(20,608)
Debt service	197,314	197,314	197,314	-
Transfers out	<u>704,000</u>	<u>704,000</u>	<u>828,264</u>	<u>(124,264)</u>
Total Expenditures and Other Uses	<u>14,488,769</u>	<u>14,488,769</u>	<u>14,451,800</u>	<u>36,969</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>221,522</u>	\$ <u>221,522</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

FIRE FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Property taxes	\$ 3,059,866	\$ 3,059,866	\$ 3,059,866	\$ -
Penalties, interest, and other taxes	25,417	25,417	25,417	-
Charges for services	153,897	153,897	138,468	(15,429)
Intergovernmental	-	-	20,165	20,165
Contributions	100	100	145	45
Transfers in	<u>60,100</u>	<u>60,100</u>	<u>60,100</u>	<u>-</u>
Total Revenues and Other Sources	3,299,380	3,299,380	3,304,161	4,781
Expenditures and Other Uses:				
Public safety	3,156,290	3,156,290	3,106,712	49,578
Transfers out	<u>143,090</u>	<u>143,090</u>	<u>143,090</u>	<u>-</u>
Total Expenditures and Other Uses	<u>3,299,380</u>	<u>3,299,380</u>	<u>3,249,802</u>	<u>49,578</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,359</u>	<u>\$ 54,359</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

PARKING FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Property taxes	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Charges for services	1,729,740	1,729,740	1,806,453	76,713
Contributions	-	-	240	240
Transfers in	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>-</u>
Total Revenues and Other Sources	1,835,740	1,835,740	1,912,693	76,953
Expenditures and Other Uses:				
Public safety	1,409,266	1,409,266	1,406,144	3,122
Debt service	321,474	321,474	321,474	-
Transfers out	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,835,740</u>	<u>1,835,740</u>	<u>1,832,618</u>	<u>3,122</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,075</u>	<u>\$ 80,075</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Reclamation Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 118,989	\$ 501,482	\$ 620,471
User fees, net of allowance for uncollectibles	767,721	331,583	1,099,304
Intergovernmental receivables	-	320,166	320,166
Due from other funds	-	1,190,739	1,190,739
Other assets	<u>789,231</u>	<u>349,428</u>	<u>1,138,659</u>
Total current assets	1,675,941	2,693,398	4,369,339
Noncurrent:			
Capital Assets:			
Land and construction in progress	150,873	239,709	390,582
Other assets, net of accumulated depreciation	<u>10,193,510</u>	<u>14,712,455</u>	<u>24,905,965</u>
Total noncurrent assets	<u>10,344,383</u>	<u>14,952,164</u>	<u>25,296,547</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>261,671</u>	<u>373,069</u>	<u>634,740</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	12,281,995	18,018,631	30,300,626
LIABILITIES			
Current:			
Accounts payable	82,559	22,801	105,360
Accrued liabilities	197,337	122,049	319,386
Deferred revenue	4,787	6,123	10,910
Due to other funds	1,358,469	-	1,358,469
Current portion of long-term liabilities:			
Bonds payable	570,117	464,076	1,034,193
Other	<u>76,628</u>	<u>7,250</u>	<u>83,878</u>
Total current liabilities	<u>2,289,897</u>	<u>622,299</u>	<u>2,912,196</u>
Noncurrent:			
Bonds payable, net of current portion	4,646,434	5,058,323	9,704,757
Net pension liability	940,562	1,340,978	2,281,540
Net OPEB obligation	75,322	73,273	148,595
Other, net of current portion	<u>362,163</u>	<u>65,251</u>	<u>427,414</u>
Total noncurrent liabilities	<u>6,024,481</u>	<u>6,537,825</u>	<u>12,562,306</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>52,601</u>	<u>74,994</u>	<u>127,595</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
	8,366,979	7,235,118	15,602,097
NET POSITION			
Net investment in capital assets	4,818,257	9,429,765	14,248,022
Unrestricted	<u>(903,241)</u>	<u>1,353,748</u>	<u>450,507</u>
TOTAL NET POSITION	\$ 3,915,016	\$ 10,783,513	\$ 14,698,529

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u> <u>Fund</u>	<u>Reclamation</u> <u>Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,208,523	\$ 2,508,089	\$ 4,716,612
Other	<u>9,206</u>	<u>4,000</u>	<u>13,206</u>
Total Operating Revenues	2,217,729	2,512,089	4,729,818
Operating Expenses:			
Operating expenses	1,562,240	2,224,220	3,786,460
Depreciation	<u>373,764</u>	<u>1,153,885</u>	<u>1,527,649</u>
Total Operating Expenses	<u>1,936,004</u>	<u>3,378,105</u>	<u>5,314,109</u>
Operating Income (Loss)	281,725	(866,016)	(584,291)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	444,050	444,050
Investment income	432	5,530	5,962
Interest expense	<u>(200,403)</u>	<u>(150,197)</u>	<u>(350,600)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(199,971)</u>	<u>299,383</u>	<u>99,412</u>
Income (Loss) Before Transfers	81,754	(566,633)	(484,879)
Transfers:			
Transfers in	135,314	70	135,384
Transfers out	<u>(67,666)</u>	<u>-</u>	<u>(67,666)</u>
Change in Net Position	149,402	(566,563)	(417,161)
Net Position at Beginning of Year	<u>3,765,614</u>	<u>11,350,076</u>	<u>15,115,690</u>
Net Position at End of Year	<u>\$ 3,915,016</u>	<u>\$ 10,783,513</u>	<u>\$ 14,698,529</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Reclamation Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 2,232,520	\$ 2,338,478	\$ 4,570,998
Payments to vendors and employees	<u>(1,917,207)</u>	<u>(2,016,355)</u>	<u>(3,933,562)</u>
Net Cash Provided By (Used For) Operating Activities	315,313	322,123	637,436
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in	135,314	70	135,384
Transfers out	(67,666)	-	(67,666)
Interfund lending	556,622	441,673	998,295
Net Cash Provided By (Used For) Noncapital Financing Activities	624,270	441,743	1,066,013
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets, net of disposals	(46,735)	(504,452)	(551,187)
Principal payments on bonds and leases	(550,570)	(456,032)	(1,006,602)
Capital lease payments	(67,428)	-	(67,428)
Interest expense	(217,568)	(171,612)	(389,180)
Intergovernmental revenue	-	38,800	38,800
Net Cash Provided By (Used For) Capital and Related Financing Activities	(882,301)	(1,093,296)	(1,975,597)
<u>Cash Flows From Investing Activities:</u>			
Investment income	432	5,530	5,962
Net Cash Provided By (Used For) Investing Activities	432	5,530	5,962
Net Change in Cash and Short-Term Investments	57,714	(323,900)	(266,186)
Cash and Short-Term Investments, Beginning of Year	61,275	825,382	886,657
Cash and Short-Term Investments, End of Year	\$ 118,989	\$ 501,482	\$ 620,471
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 281,725	\$ (866,016)	\$ (584,291)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	373,764	1,153,885	1,527,649
Changes in assets and liabilities:			
User fees	14,791	(173,611)	(158,820)
Deferred outflows - related to pensions	(208,285)	(300,796)	(509,081)
Accounts payable	(734,712)	(353,517)	(1,088,229)
Accrued liabilities	(20,850)	-	(20,850)
Deferred inflows	(12,979)	(17,029)	(30,008)
Compensated absences	7,943	4,988	12,931
OPEB liability	13,624	10,716	24,340
Net pension liability	600,292	863,503	1,463,795
Net Cash Provided By (Used For) Operating Activities	\$ 315,313	\$ 322,123	\$ 637,436

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

TOWN OF HANOVER, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and short-term investments	\$ -	\$ 374,104
Investments	81,239	1,441,039
Due from external parties	<u>-</u>	<u>84,337</u>
Total Assets	81,239	1,899,480
LIABILITIES AND NET POSITION		
Accounts payable	-	4,914
Due to other governments	-	1,756,082
Other liabilities	<u>-</u>	<u>138,484</u>
Total Liabilities	<u>-</u>	<u>1,899,480</u>
NET POSITION		
Total net position held in trust	\$ <u>81,239</u>	\$ <u>-</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Miscellaneous revenue	\$ <u>7,898</u>
Total additions	7,898
Deductions:	
Other	<u>1,007</u>
Total deductions	<u>1,007</u>
Net increase (decrease)	6,891
Net position:	
Beginning of year	<u>74,348</u>
End of year	<u>\$ 81,239</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hanover, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Fire Fund* accounts for the activities associated with the Town's fire department operations and is primarily funded through taxation.
- The *Parking Fund* accounts for the activities associated with the Town's parking department operations and is primarily funded through meter and permit fees and parking fines.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

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

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of mutual funds. Investments are carried at fair value.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land and Building improvements	12 - 20
Infrastructure	10 - 50
Vehicles	5
Furniture, fixtures, and equipment	5 - 15
Computer equipment	4 - 20

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 14,038,550	\$ 13,332,698
Other financing sources/uses (GAAP basis)	<u>510,423</u>	<u>317,323</u>
Subtotal (GAAP Basis)	14,548,973	13,650,021
Adjust tax revenue to accrual basis	(43,563)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(444,379)
Add end-of-year appropriation carryforwards from expenditures	-	766,016
Recognize use of fund balance as funding source	177,000	-
To eliminate capital reserve activity	<u>(9,088)</u>	<u>480,142</u>
Budgetary basis	<u>\$ 14,673,322</u>	<u>\$ 14,451,800</u>

<u>Fire Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 3,211,082	\$ 3,086,093
Other financing sources/uses (GAAP basis)	<u>60,100</u>	<u>143,090</u>
Subtotal (GAAP Basis)	3,271,182	3,229,183
Reverse beginning of year appropriation carryforwards from expenditures	-	(24,038)
Add end-of-year appropriation carryforwards from expenditures	-	44,657
Other GAAP timing differences	<u>32,979</u>	<u>-</u>
Budgetary basis	<u>\$ 3,304,161</u>	<u>\$ 3,249,802</u>
<u>Parking Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 1,893,982	\$ 1,577,358
Other financing sources/uses (GAAP basis)	<u>21,000</u>	<u>105,000</u>
Subtotal (GAAP Basis)	1,914,982	1,682,358
Reverse beginning of year appropriation carryforwards from expenditures	-	(42,200)
Add end-of-year appropriation carryforwards from expenditures	-	192,460
Other GAAP timing differences	<u>(2,289)</u>	<u>-</u>
Budgetary basis	<u>\$ 1,912,693</u>	<u>\$ 1,832,618</u>

3. Cash and Short-Term Investments

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

As of June 30, 2017, \$6,005 of the Town's balance of \$20,938,440 was exposed to custodial credit risk as uninsured or uncollateralized. This amount represents the cash portion of investment accounts in the custody of the Trustees of Trust Funds.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Disclosure</u>	<u>Exempt From</u>	<u>Rating as of Year End</u>	<u>Not Rated</u>
			Aaa	Aa	
Mutual funds	\$ 5,836,141	\$ 5,836,141	\$ -	\$ -	\$ -
Total investments	\$ 5,836,141	\$ 5,836,141	\$ -	\$ -	\$ -

B. Custodial Credit Risk

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

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% of total investments.

D. Foreign Currency Risk

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

E. Fair Value

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

The Town has the following fair value measurements as of June 30, 2017:

<u>Description</u>	Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)
Investments by fair value level:		
Mutual funds	\$ 5,836,141	\$ 5,836,141
Total	<u>\$ 5,836,141</u>	

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of June 30, 2017.

6. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified

from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 4,905,685	\$ -	\$ 4,905,685
Timber taxes	2,011	-	2,011
Tax liens	298,028	(33,607)	264,421
Total property taxes	\$ 5,205,724	\$ (33,607)	\$ 5,172,117

Taxes Collected for Others

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

7. User Fee Receivables

Receivables for user charges at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Governmental Funds:			
General Fund	\$ 69,594	\$ -	\$ 69,594
Fire Fund	3,460	-	3,460
Parking Fund	68,913	-	68,913
Ambulance	163,298	(58,768)	104,530
Business-Type Funds:			
Water	767,721	-	767,721
Water Reclamation	331,583	-	331,583
Total	\$ 1,404,569	\$ (58,768)	\$ 1,345,801

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017.

9. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,641,477	\$ 3,497,814
Fire Fund	1,974,094	1,567,697
Parking Fund	986,371	11,101
Non Major Funds:		
Special Revenue Funds:		
Ambulance	62,386	-
Conservation	3,018	-
DMA	6,860	-
Housing	145,449	-
UVPA	37,001	-
SP	9,591	-
SPRec	26,701	-
Capital Project Funds	1,546,678	1,283,333
Permanent Trust Funds	3,712	-
Business Type Activities:		
Enterprise Funds		
Water	-	1,358,469
Water Reclamation	1,190,739	-
Agency Funds	84,337	-
Total	\$ 7,718,414	\$ 7,718,414

Transfers

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

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 510,423	\$ 348,122
Fire Fund	60,100	143,090
Parking Fund	21,000	105,000
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	-	61,028
Conservation	32,180	-
Permanent Funds		
Non-expendable	-	9,231
Expendable	38,153	5,038
Capital Project Funds	9,601	<u>67,666</u>
Subtotal Nonmajor Funds	79,934	142,963
<u>Business-Type Funds:</u>		
Water Fund	135,314	67,666
Water Reclamation Fund	70	-
Subtotal Business-Type Funds:	<u>135,384</u>	<u>67,666</u>
Grand Total	<u>\$ 806,841</u>	<u>\$ 806,841</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

10. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,384,605	\$ 174,377	\$ -	\$ 15,558,982
Machinery, equipment, and furnishings	3,457,768	288,665	(31,250)	3,715,183
Vehicles	6,085,005	611,285	(400,009)	6,296,281
Infrastructure	<u>50,140,057</u>	<u>914,225</u>	<u>-</u>	<u>51,054,282</u>
Total capital assets, being depreciated	75,067,435	1,988,552	(431,259)	76,624,728
Less accumulated depreciation for:				
Buildings and improvements	(5,745,832)	(449,531)	-	(6,195,363)
Machinery, equipment, and furnishings	(1,073,160)	(295,626)	31,250	(1,337,536)
Vehicles	(3,936,219)	(359,772)	400,009	(3,895,982)
Infrastructure	<u>(33,178,269)</u>	<u>(1,377,667)</u>	<u>-</u>	<u>(34,555,936)</u>
Total accumulated depreciation	<u>(43,933,480)</u>	<u>(2,482,596)</u>	<u>431,259</u>	<u>(45,984,817)</u>
Total capital assets, being depreciated, net	31,133,955	(494,044)	-	30,639,911
Capital assets, not being depreciated:				
Land	4,585,986	38,513	-	4,624,499
Total capital assets, not being depreciated	<u>4,585,986</u>	<u>38,513</u>	<u>-</u>	<u>4,624,499</u>
Governmental activities capital assets, net	<u>\$ 35,719,941</u>	<u>\$ (455,531)</u>	<u>\$ -</u>	<u>\$ 35,264,410</u>
 Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,279,003	\$ 85,456	\$ -	\$ 13,364,459
Machinery, equipment, and furnishings	11,619,055	372,375	-	11,991,430
Vehicles	505,562	27,217	(17,165)	515,614
Infrastructure	<u>12,485,991</u>	<u>133,304</u>	<u>-</u>	<u>12,619,295</u>
Total capital assets, being depreciated	37,889,611	618,352	(17,165)	38,490,798
Less accumulated depreciation for:				
Buildings and improvements	(4,733,473)	(503,863)	-	(5,237,336)
Machinery, equipment, and furnishings	(2,933,271)	(725,000)	-	(3,658,271)
Vehicles	(220,572)	(38,417)	17,165	(241,824)
Infrastructure	<u>(4,187,033)</u>	<u>(260,369)</u>	<u>-</u>	<u>(4,447,402)</u>
Total accumulated depreciation	<u>(12,074,349)</u>	<u>(1,527,649)</u>	<u>17,165</u>	<u>(13,584,833)</u>
Total capital assets, being depreciated, net	25,815,262	(909,297)	-	24,905,965
Capital assets, not being depreciated:				
Land	390,582	-	-	390,582
Construction in progress	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>440,582</u>	<u>-</u>	<u>(50,000)</u>	<u>390,582</u>
Business-type activities capital assets, net	<u>\$ 26,255,844</u>	<u>\$ (909,297)</u>	<u>\$ (50,000)</u>	<u>\$ 25,296,547</u>

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

Governmental Activities:	
General government	\$ 108,083
Public safety	653,100
Highway and streets	1,637,187
Culture and recreation	84,226
Total depreciation expense - governmental activities	\$ <u>2,482,596</u>

Business-Type Activities:	
Water	\$ 373,764
Water reclamation	<u>1,153,885</u>
Total depreciation expense - business-type activities	\$ <u>1,527,649</u>

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 20.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent 2017 expenditures paid in 2018.

13. Tax Refunds Payable

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

14. Due to Other Governments

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

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2021. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2017:

<u>Fiscal Year</u>	Governmental	
	<u>Capital Leases</u>	<u>Operating Leases</u>
2018	\$ 9,721	\$ 8,641
2019	9,721	8,641
2020	-	<u>7,633</u>
Total payments	19,442	24,915
Less amounts representing interest	<u>1,530</u>	-
Present Value of Minimum Lease Payments	<u>\$ 17,912</u>	<u>\$ 24,915</u>

<u>Fiscal Year</u>	Business-Type	<u>Capital Leases</u>
2018		\$ 78,609
2019		78,639
2020		78,609
2021		78,609
2022		<u>78,582</u>
Total payments		393,048
Less amounts representing interest		<u>28,786</u>
Present Value of Minimum Lease Payments	<u>\$ 364,262</u>	

16. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities	Interest Rate(s) %	Amount Outstanding as of 6/30/17
1999 Parking Facility	01/15/29	4.00-4.90%	\$ 2,920,000
2003 Community Center	01/15/23	4.25-4.90%	<u>450,000</u>
Total Governmental Activities:			<u>\$ 3,370,000</u>

	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>6/30/17</u>
<u>Business-Type Activities:</u>			
2008 SRF Loan - Sewer	12/01/27	3.49%	\$ 1,630,173
SRF Loan - Water	02/01/22	2.22%	1,348,036
SRF Loan - Water	10/01/27	3.35%	3,868,515
SRF Loan - Water Pollution	08/01/26	2.91%	635,096
SRF Loan - Water Pollution	07/01/27	2.55%	<u>3,257,130</u>
Total Business-Type Activities:			\$ <u>10,738,950</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 260,000	\$ 163,274	\$ 423,274
2019	270,000	151,112	421,112
2020	280,000	138,302	418,302
2021	290,000	124,938	414,938
2022	300,000	111,017	411,017
2023 - 2027	1,365,000	347,475	1,712,475
2028 - 2029	<u>605,000</u>	<u>44,834</u>	<u>649,834</u>
Total	<u>\$ 3,370,000</u>	<u>\$ 1,080,952</u>	<u>\$ 4,450,952</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2017:

General fund	\$ 450,000
Special revenue fund	<u>2,920,000</u>
Total	<u>\$ 3,370,000</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,034,193	\$ 348,928	\$ 1,383,121
2019	1,062,692	315,261	1,377,953
2020	1,092,128	280,653	1,372,781
2021	1,122,533	258,963	1,381,496
2022	1,137,817	197,347	1,335,164
2023 - 2027	4,634,506	576,638	5,211,144
2028	<u>655,081</u>	<u>28,492</u>	<u>683,573</u>
Total	<u>\$ 10,738,950</u>	<u>\$ 2,006,282</u>	<u>\$ 12,745,232</u>

C. Notes Payable

The Town issued a note with the Dresden Regional School District as part of an option to have the first right of refusal over the Hanover High School Property. Notes payable outstanding is as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/17
<u>Governmental Activities:</u>			
Dresden Hanover High Property Option	08/10/23	0.00%	\$ 700,000
Total Governmental Activities:			\$ 700,000

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Total Balance 7/1/16	Additions	Reductions	Total Balance 6/30/17	Less Current Portion	Equals Long-Term Portion 6/30/17
<u>Governmental Activities</u>						
Bonds payable	\$ 3,620,000	\$ -	\$ (250,000)	\$ 3,370,000	\$ (260,000)	\$ 3,110,000
Net pension liability	12,902,801	3,774,774	-	16,677,575	-	16,677,575
Net OPEB liability	1,773,063	370,067	-	2,143,130	-	2,143,130
Other:						
Notes payable	800,000		(100,000)	700,000	(100,000)	600,000
Compensated absences	1,913,532	207,023	-	2,120,555	(212,055)	1,908,500
Capital lease payable	9,686	30,799	(22,573)	17,912	(8,710)	9,202
Subtotal - other	<u>2,723,218</u>	<u>237,822</u>	<u>(122,573)</u>	<u>2,838,467</u>	<u>(320,765)</u>	<u>2,517,702</u>
Totals	<u>\$ 21,019,082</u>	<u>\$ 4,382,663</u>	<u>\$ (372,573)</u>	<u>\$ 25,029,172</u>	<u>\$ (580,765)</u>	<u>\$ 24,448,407</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 11,745,552	\$ -	\$ (1,006,602)	\$ 10,738,950	\$ (1,034,193)	\$ 9,704,757
Net pension liability	817,745	1,463,795	-	2,281,540	-	2,281,540
Net OPEB liability	124,255	24,340	-	148,595	-	148,595
Other:						
Compensated absences	134,099	12,931	-	147,030	(14,703)	132,327
Capital lease payable	431,690	-	(67,428)	364,262	(69,175)	295,087
Subtotal - other	<u>565,789</u>	<u>12,931</u>	<u>(67,428)</u>	<u>511,292</u>	<u>(83,878)</u>	<u>427,414</u>
Totals	<u>\$ 13,253,341</u>	<u>\$ 1,501,066</u>	<u>\$ (1,074,030)</u>	<u>\$ 13,680,377</u>	<u>\$ (1,118,071)</u>	<u>\$ 12,562,306</u>

17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described

in Note 20. *Unavailable* revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

18. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2017:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2017:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid expenditures	\$ 46,747	\$ -	\$ -	\$ -	\$ 46,747
Nonexpendable permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,319,745</u>	<u>4,319,745</u>
Total Nonexpendable	46,747	-	-	4,319,745	4,366,492
Restricted					
Special revenue funds	-	361,246	975,295	871,642	2,208,183
Expendable permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,573</u>	<u>172,573</u>
Total Restricted	-	361,246	975,295	1,044,215	2,380,756
Committed					
Capital reserve funds	1,563,468	-	-	-	1,563,468
Capital project funds	-	-	-	263,309	263,309
Reserved for expenditures	<u>193,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,625</u>
Total Committed	1,757,093	-	-	263,309	2,020,402
Assigned					
Encumbrances	<u>766,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>766,016</u>
Total Assigned	766,016	-	-	-	766,016
Unassigned					
General fund	<u>1,717,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,717,290</u>
Total Unassigned	1,717,290	-	-	-	1,717,290
Total Fund Balance	\$ 4,287,146	\$ 361,246	\$ 975,295	\$ 5,627,269	\$ 11,250,956

19. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis	\$ 1,717,290
Unavailable revenue	195,439
Reserve for special purposes	(90,593)
Reserve for prepaids	46,747
Other	(13,108)
Tax Rate Setting balance	\$ <u>1,855,775</u>

20. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with respect to the State of New Hampshire Retirement System (NHRs).

A. Plan Description

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

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

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of

either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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 earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contribution to the System for the year ended June 30, 2017 was \$1,362,491, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$18,959,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Town's proportion was .34634484 percent.

At the most recent measurement date of June 30, 2016, the Town's proportion was .35653550 percent, which was an increase of .01019066 from its previous year proportion.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,899,981. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,687	\$ 239,405
Changes of assumptions	2,333,264	-
Net difference between projected and actual earnings on pension plan investments	1,186,180	-
Changes in proportion and differences between contributions and proportionate share of contributions	339,934	820,885
Contributions subsequent to the measurement date	<u>1,362,491</u>	<u>-</u>
Total	<u><u>\$ 5,274,556</u></u>	<u><u>\$ 1,060,290</u></u>

\$1,362,491 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 462,741
2019	462,740
2020	946,660
2021	929,466
2022	<u>50,168</u>
Total	<u>\$ 2,851,775</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation Percentage	Weighted Average Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	<u>7.00</u>	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	<u>7.00</u>	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Real estate	10.00	3.25%
Opportunistic	<u>5.00</u>	3.68%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Current	
1% Decrease	Discount Rate	1% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 24,361,171	\$ 18,959,115	\$ 14,478,966

I. Pension Plan Fiduciary Net Position

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

21. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund its required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The Town provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium; therefore, current employees who are young and healthy subsidized the older retirees. As of June 30, 2017, there were 18 retiree subscribers, including eligible spouses and dependents, and 109 active employees who met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 486,050
Interest on net OPEB obligation	75,893
Adjustment to ARC	<u>(107,591)</u>
Annual OPEB cost	454,352
Contributions made	<u>(59,945)</u>
Increase in net OPEB obligation	394,407
Net OPEB obligation - beginning of year	<u>1,897,318</u>
Net OPEB obligation - end of year	\$ <u>2,291,725</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 454,352	13%	\$ 2,291,725
2016	\$ 461,638	14%	\$ 1,897,318
2015	\$ 465,794	15%	\$ 1,500,990

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 5,078,717
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>5,078,717</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>8,722,964</u>
UAAL as a percentage of covered payroll	<u>58%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 5.49% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 2.5%.

22. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

23. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

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

**JUNE 30, 2017
(Unaudited)**

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.34634484%	\$ 18,959,115	\$ 8,160,486	232.33%	58.30%
June 30, 2016	June 30, 2015	0.34634484%	\$ 13,720,546	\$ 7,849,449	174.80%	65.47%
June 30, 2015	June 30, 2014	0.36323047%	\$ 13,634,167	\$ 7,807,102	174.64%	66.32%

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

See Independent Auditors' Report.

TOWN OF HANOVER, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2017
(Unaudited)

New Hampshire Retirement System

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

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

See Independent Auditors' Report.

TOWN OF HANOVER, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
07/01/14	\$ -	\$ 5,078,717	\$ 5,078,717	0.0%	\$ 8,722,964	58.2%
07/01/11	\$ -	\$ 3,831,948	\$ 3,831,948	0.0%	\$ 9,114,124	42.0%
07/01/08	\$ -	\$ 2,092,115	\$ 2,092,115	0.0%	\$ 7,373,216	28.4%

See Independent Auditors' Report.