



TOWN OF HANOVER, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Hanover, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, New Hampshire, as of and for the year ended June 30, 2021, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes



evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2022 on our consideration of the Town's internal control over financial reporting and on our tests



of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Merrimack, New Hampshire
July 6, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hanover, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$25,897,835, a change of \$1,291,530 in comparison to the prior year, and net position in business-type activities was \$17,257,445, a change of \$1,194,876 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,199,551, a change of \$(357,227) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,352,595, a change of \$1,416,130 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 38,771,833	\$ 39,605,693	\$ 4,268,192	\$ 4,278,734	\$ 43,040,025	\$ 43,884,427
Capital assets	<u>39,313,438</u>	<u>35,206,557</u>	<u>20,784,839</u>	<u>22,227,516</u>	<u>60,098,277</u>	<u>57,434,073</u>
Total assets	78,085,271	74,812,250	25,053,031	26,506,250	103,138,302	101,318,500
Deferred outflows of resources	6,148,250	2,843,099	276,254	360,067	6,424,504	3,203,166
Liabilities						
Other liabilities	21,282,312	24,069,239	1,446,138	9,059,373	22,728,450	33,128,612
Long-term liabilities	<u>28,982,819</u>	<u>21,879,546</u>	<u>6,528,769</u>	<u>1,559,564</u>	<u>35,511,588</u>	<u>23,439,110</u>
Total liabilities	50,265,131	45,948,785	7,974,907	10,618,937	58,240,038	56,567,722
Deferred inflows of resources	8,070,555	7,100,259	96,933	184,811	8,167,488	7,285,070
Net Position						
Net investment in capital assets	36,974,072	32,698,886	14,280,838	14,526,145	51,254,910	47,225,031
Restricted	7,913,968	7,176,985	-	-	7,913,968	7,176,985
Unrestricted	<u>(18,990,205)</u>	<u>(15,269,566)</u>	<u>2,976,607</u>	<u>1,536,424</u>	<u>(16,013,598)</u>	<u>(13,733,142)</u>
Total net position	\$ 25,897,835	\$ 24,606,305	\$ 17,257,445	\$ 16,062,569	\$ 43,155,280	\$ 40,668,874

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$43,155,280, a change of \$2,486,406 in comparison to the prior year.

The largest portion of net position, \$51,254,910, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$7,913,968, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(16,013,598), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,596,290	\$ 4,369,394	\$ 4,712,018	\$ 5,046,293	\$ 8,308,308	\$ 9,415,687
Operating grants and contributions	309,486	536,083	105,889	148,272	415,375	684,355
Capital grants and contributions	1,909,690	206,122	-	-	1,909,690	206,122
General revenues:						
Property taxes	13,916,100	11,427,030	-	-	13,916,100	11,427,030
Motor vehicle permit fees	1,601,557	2,338,440	-	-	1,601,557	2,338,440
Penalties and interest on taxes	288,240	244,973	-	-	288,240	244,973
Grants and contributions not restricted to specific programs	989,207	884,647	-	-	989,207	884,647
Investment income	1,384,458	689,391	-	16,939	1,384,458	706,330
Other	<u>1,442,933</u>	<u>236,208</u>	<u>12,501</u>	<u>53,669</u>	<u>1,455,434</u>	<u>289,877</u>
Total revenues	25,437,961	20,932,288	4,830,408	5,265,173	30,268,369	26,197,461
Expenses						
General government	6,297,901	6,266,203	-	-	6,297,901	6,266,203
Public safety	10,878,457	9,905,876	-	-	10,878,457	9,905,876
Highway and streets	2,666,367	3,423,018	-	-	2,666,367	3,423,018
Sanitation	1,902,217	846,197	-	-	1,902,217	846,197
Health and human services	430,408	414,337	-	-	430,408	414,337
Culture and recreation	1,871,064	2,393,470	-	-	1,871,064	2,393,470
Conservation	17,208	12,317	-	-	17,208	12,317
Interest on long-term debt	103,134	120,822	-	-	103,134	120,822
Water services	-	-	808,288	2,197,273	808,288	2,197,273
Water reclamation services	-	-	<u>2,922,729</u>	<u>2,487,320</u>	<u>2,922,729</u>	<u>2,487,320</u>
Total expenses	<u>24,166,756</u>	<u>23,382,240</u>	<u>3,731,017</u>	<u>4,684,593</u>	<u>27,897,773</u>	<u>28,066,833</u>
Change in net position before transfers	1,271,205	(2,449,952)	1,099,391	580,580	2,370,596	(1,869,372)
Transfers in (out)	<u>20,325</u>	<u>118,932</u>	<u>95,485</u>	<u>(118,932)</u>	<u>115,810</u>	<u>-</u>
Change in net position	1,291,530	(2,331,020)	1,194,876	461,648	2,486,406	(1,869,372)
Net position - beginning of year as reclassified	<u>24,606,305</u>	<u>26,937,325</u>	<u>16,062,569</u>	<u>15,600,921</u>	<u>40,668,874</u>	<u>42,538,246</u>
Net position - end of year	<u>\$ 25,897,835</u>	<u>\$ 24,606,305</u>	<u>\$ 17,257,445</u>	<u>\$ 16,062,569</u>	<u>\$ 43,155,280</u>	<u>\$ 40,668,874</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,291,530. Key elements of this change are as follows:

Capital grants and contributions	\$ 1,909,690
Capital assets acquired with current year revenues	4,805,964
Depreciation expense in excess of principal debt service	(2,318,773)
Change in net pension liability, net of related deferrals	(2,470,854)
Change in net OPEB liability, net of related deferrals	(156,731)
Other	<u>(477,766)</u>
Total	\$ <u>1,291,530</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,194,876. The significant increase is due to the Town improving the allocation of the net pension liability and the net OPEB liability to the Water Fund.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,352,595, while total fund balance was \$5,141,879. The June 30, 2021 change in unassigned fund balance was largely due to a prior year recognition of a BTLA liability. 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>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 2,352,595	\$ 936,465	\$ 1,416,130	15.6%
Total fund balance, as reclassified	\$ 5,141,879	\$ 4,679,463	\$ 462,416	34.1%

The total fund balance of the General Fund changed by \$462,416 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (430,000)
Revenues and other financing sources as compared with budgeted amounts	(797,069)
Expenditures and other financing uses as compared with budgeted amounts	2,286,239
Expenditures of prior year encumbrances in excess of current year encumbrances	(405,968)
Change in capital reserves	<u>(190,786)</u>
 Total	 \$ <u>462,416</u>

Included in the total General Fund balance are the Town's capital reserve accounts with the following balance:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
General capital reserves	\$ 1,828,735	\$ 2,019,521	\$ (190,786)

Individual year-end account balances include the following:

Bridge Replacement and Renovation	\$ 187,309
Building Maintenance and Improvement	63,080
Dispatch Equipment and Center Renovation	109,929
Fire Department Vehicle and Equipment	300,994
Highway Construction and Maintenance	366,293
Parking Vehicles and Equipment	573,687
Road Construction and Improvements	156,769
Other	<u>70,674</u>
Total	\$ <u>1,828,735</u>

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition, construction, or improvement of capital facilities and other capital assets. The Capital Projects Fund balance changed by \$(526,473), due to timing issues.

Fire Fund

The Fire Fund is used to account for fire protection services provided by the Town. This service is funded by separate fire district taxes; the three districts are defined by and assessed according to the proximity of each district to the Town's fire hydrant system and the level of service available to each. The Fire Fund balance changed by \$(51,135).

Nonexpendable Fund

The Nonexpendable Fund is used to account for certain financial resources that are legally restricted to the extent that balances may be used to support governmental programs for the benefit of residents. The Nonexpendable Fund balance changed by \$869,463, primarily due to investment income earned by the fund.

Nonmajor Governmental Funds

The Nonmajor Governmental Funds balance changed by \$(1,111,498), primarily due to a revenue loss in the Parking Fund of approximately \$680,214, related to the impact of the Coronavirus pandemic, in addition to timing differences between the receipt and disbursement of grants.

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 \$2,976,607, a change of \$1,194,876 in comparison to the prior year.

The Water Fund shows a credit balance expense for salaries and benefits of \$(273,718). This is due to the fiscal year 2021 pension and OPEB expenses. In fiscal year 2021, the Town perfected the allocation of these expenses to the proprietary funds. This resulted in a decrease of both liabilities in each of the proprietary funds. This was the primary reason for the negative salaries and benefits in the Water Fund. Unlike other impacts to the net pension and net OPEB liabilities, the change was reflected in pension expense and OPEB expense in the year in which it occurred. The accounting treatment is consistent with GASB 75.

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

General Fund Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$60,098,277 (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:

Mink Brook property - community forest	\$ 1,965,028
Hanover pump station	1,295,000
2021 Western Star 4700 SF truck	206,727

Business-type Activities:

2019 Ford Ranger 4x4	\$ 27,871
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Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$8,697,404, all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in the Notes to 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 Town'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, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 25,308,845	\$ 2,598,352	\$ 27,907,197
Investments	6,003,370	-	6,003,370
Receivables, net of allowance for uncollectibles:			
Property taxes	6,617,909	-	6,617,909
User fees	312,626	302,273	614,899
Intergovernmental	-	29,106	29,106
Prepaid expenses	-	1,110,920	1,110,920
Other assets	<u>287,597</u>	<u>23,799</u>	<u>311,396</u>
Total Current Assets	38,530,347	4,064,450	42,594,797
Noncurrent:			
Property taxes, net of allowance for uncollectibles	241,486	-	241,486
Intergovernmental receivables	-	203,742	203,742
Capital assets:			
Nondepreciable capital assets	6,488,450	549,949	7,038,399
Other capital assets, net of accumulated depreciation	<u>32,824,988</u>	<u>20,234,890</u>	<u>53,059,878</u>
Total Noncurrent Assets	<u>39,554,924</u>	<u>20,988,581</u>	<u>60,543,505</u>
Total Assets	78,085,271	25,053,031	103,138,302
Deferred Outflows of Resources			
Related to pensions	5,580,791	250,757	5,831,548
Related to OPEB	<u>567,459</u>	<u>25,497</u>	<u>592,956</u>
Total Deferred Outflows of Resources	6,148,250	276,254	6,424,504

(continued)

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

TOWN OF HANOVER, NEW HAMPSHIRE

Statement of Net Position
June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	459,592	76,606	536,198
Accrued liabilities	1,243,948	138,512	1,382,460
Due to external parties	17,794,196	-	17,794,196
Due to other governments	3,299	-	3,299
Other liabilities	944,914	-	944,914
Current portion of long-term liabilities:			
Bonds payable	300,000	1,137,817	1,437,817
Dresden Regional School District	100,000	-	100,000
Compensated absences	275,327	16,606	291,933
Capital leases	161,036	76,597	237,633
Total Current Liabilities	<u>21,282,312</u>	<u>1,446,138</u>	<u>22,728,450</u>
Noncurrent:			
Bonds payable, net of current portion	1,970,000	5,289,587	7,259,587
Net pension liability	20,719,770	930,983	21,650,753
Net OPEB liability	3,532,916	158,741	3,691,657
Dresden Regional School District, net of current portion	200,000	-	200,000
Compensated absences, net of current portion	2,477,946	149,458	2,627,404
Capital leases, net of current portion	<u>82,187</u>	<u>-</u>	<u>82,187</u>
Total Noncurrent Liabilities	<u>28,982,819</u>	<u>6,528,769</u>	<u>35,511,588</u>
Total Liabilities	<u>50,265,131</u>	<u>7,974,907</u>	<u>58,240,038</u>
Deferred Inflows of Resources			
Unavailable revenues	5,913,227	-	5,913,227
Related to pensions	1,225,001	55,042	1,280,043
Related to OPEB	<u>932,327</u>	<u>41,891</u>	<u>974,218</u>
Total Deferred Inflows of Resources	<u>8,070,555</u>	<u>96,933</u>	<u>8,167,488</u>
Net Position			
Net investment in capital assets	36,974,072	14,280,838	51,254,910
Restricted for:			
Grants and other statutory restrictions	1,508,478	-	1,508,478
Permanent funds:			
Nonexpendable	6,405,490	-	6,405,490
Unrestricted	<u>(18,990,205)</u>	<u>2,976,607</u>	<u>(16,013,598)</u>
Total Net Position	<u>\$ 25,897,835</u>	<u>\$ 17,257,445</u>	<u>\$ 43,155,280</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, 2021

	Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	Business-Type Activities		<u>Total</u>
						<u>Activities</u>	<u>Total</u>	
Governmental Activities								
General government	\$ 6,297,901	\$ 71,000	\$ -	\$ 800,000	\$ (5,426,901)	\$ -	\$ (5,426,901)	
Public safety	10,878,457	3,071,154	307,861	-	(7,499,442)	-	(7,499,442)	
Highways and streets	2,666,367	299	-	1,109,690	(1,556,378)	-	(1,556,378)	
Sanitation	1,902,217	6,103	-	-	(1,896,114)	-	(1,896,114)	
Health and human services	430,408	-	1,625	-	(428,783)	-	(428,783)	
Culture and recreation	1,871,064	446,575	-	-	(1,424,489)	-	(1,424,489)	
Conservation	17,208	1,159	-	-	(16,049)	-	(16,049)	
Interest on long-term debt	<u>103,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,134)</u>	<u>-</u>	<u>(103,134)</u>	
Total Governmental Activities	24,166,756	3,596,290	309,486	1,909,690	(18,351,290)	-	(18,351,290)	
Business-Type Activities								
Water services	808,288	1,916,318	-	-	-	1,108,030	1,108,030	
Water reclamation services	<u>2,922,729</u>	<u>2,795,700</u>	<u>105,889</u>	<u>-</u>	<u>-</u>	<u>(21,140)</u>	<u>(21,140)</u>	
Total Business-Type Activities	<u>3,731,017</u>	<u>4,712,018</u>	<u>105,889</u>	<u>-</u>	<u>-</u>	<u>1,086,890</u>	<u>1,086,890</u>	
Total	<u>\$ 27,897,773</u>	<u>\$ 8,308,308</u>	<u>\$ 415,375</u>	<u>\$ 1,909,690</u>	<u>(18,351,290)</u>	<u>1,086,890</u>	<u>(17,264,400)</u>	
General Revenues and Transfers:								
Property taxes				13,916,100	-	13,916,100		
Motor vehicle permit fees				1,601,557	-	1,601,557		
Penalties, interest, and other taxes				288,240	-	288,240		
Grants and contributions not restricted to specific programs				989,207	-	989,207		
Investment income				1,384,458	-	1,384,458		
Other				1,442,933	12,501	1,455,434		
Transfers, net				<u>20,325</u>	<u>95,485</u>	<u>115,810</u>		
Total general revenues and transfers				<u>19,642,820</u>	<u>107,986</u>	<u>19,750,806</u>		
Change in Net Position				1,291,530	1,194,876	2,486,406		
Net Position								
Beginning of year, as reclassified				<u>24,606,305</u>	<u>16,062,569</u>	<u>40,668,874</u>		
End of year				<u>\$ 25,897,835</u>	<u>\$ 17,257,445</u>	<u>\$ 43,155,280</u>		

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

TOWN OF HANOVER, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Fire Fund</u>	<u>Non Expendable Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and short-term investments	\$ 24,055,638	\$ 335,115	\$ 500,354	\$ 402,120	\$ 15,618	\$ 25,308,845
Investments	-	-	-	6,003,370	-	6,003,370
Receivables:						
Property taxes	6,859,395	-	-	-	-	6,859,395
User fees	245,030	-	15,588	-	52,008	312,626
Other assets	<u>213,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>214,397</u>
Total Assets	<u>31,373,960</u>	<u>335,115</u>	<u>515,942</u>	<u>6,405,490</u>	<u>68,126</u>	<u>38,698,633</u>
Liabilities						
Accounts payable	\$ 360,067	\$ 38,034	\$ 22,254	\$ -	\$ 39,237	\$ 459,592
Accrued liabilities	1,175,849	-	-	-	-	1,175,849
Due to other governments	3,299	-	-	-	-	3,299
Due to other funds	17,794,196	-	-	-	-	17,794,196
Deposits held in custody	321,409	-	-	-	-	321,409
Unearned revenue	-	123,224	-	-	-	123,224
Other liabilities	<u>623,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,505</u>
Total Liabilities	20,278,325	161,258	22,254	-	39,237	20,501,074
Deferred Inflows of Resources						
Unavailable revenues	5,953,756	-	-	-	44,252	5,998,008
Fund Balances						
Nonspendable	108,338	-	-	6,405,490	-	6,513,828
Restricted	-	-	493,688	-	1,014,790	1,508,478
Committed	1,828,735	532,276	-	-	-	2,361,011
Assigned	852,211	-	-	-	-	852,211
Unassigned	<u>2,352,595</u>	<u>(358,419)</u>	<u>-</u>	<u>-</u>	<u>(1,030,153)</u>	<u>964,023</u>
Total Fund Balances	<u>5,141,879</u>	<u>173,857</u>	<u>493,688</u>	<u>6,405,490</u>	<u>(15,363)</u>	<u>12,199,551</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>31,373,960</u>	<u>335,115</u>	<u>515,942</u>	<u>6,405,490</u>	<u>68,126</u>	<u>38,698,633</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 12,199,551
Investment in Trescott Company is not a current financial resource and, therefore, is not reported in the governmental funds.	73,200
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	39,313,438
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	208,005
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(2,270,000)
Leases payable	(243,223)
Net pension liability and related deferrals	(16,363,980)
Net OPEB liability and related deferrals	(3,897,784)
Compensated absences	(2,753,273)
Dresden School District liability	(300,000)
Accrued interest	<u>(68,099)</u>
Net position of governmental activities	<u>\$ 25,897,835</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, 2021

	General Fund	Capital Projects Fund	Fire Fund	Non Expendable Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 10,426,733	\$ -	\$ 3,428,421	\$ -	\$ 88,504	\$ 13,943,658
Penalties, interest, and other taxes	288,240	-	-	-	-	288,240
Charges for services	1,168,844	-	125,907	-	2,301,539	3,596,290
Intergovernmental	880,461	2,206,734	20,588	-	100,600	3,208,383
Licenses and permits	2,237,152	-	-	-	-	2,237,152
Investment income	70,857	-	-	1,313,347	254	1,384,458
Miscellaneous	117,779	4,955	3,973	-	13,002	139,709
Contributions	7,529	660,000	-	-	100	667,629
Total Revenues	15,197,595	2,871,689	3,578,889	1,313,347	2,503,999	25,465,519
Expenditures						
Current:						
General government	5,793,376	2,119,297	-	27,151	299,868	8,239,692
Public safety	2,637,271	218,035	3,550,137	-	2,600,945	9,006,388
Highways and streets	3,659,422	-	-	-	-	3,659,422
Sanitation	272,902	247,611	-	-	-	520,513
Health and human services	430,408	-	-	-	-	430,408
Culture and recreation	2,073,718	20,884	-	-	-	2,094,602
Conservation	17,208	-	-	-	-	17,208
Water distribution and treatment	-	1,381,704	-	-	-	1,381,704
Debt service						
Principal	175,000	-	-	-	215,000	390,000
Interest	5,913	-	-	-	97,221	103,134
Total Expenditures	15,065,218	3,987,531	3,550,137	27,151	3,213,034	25,843,071
Excess (Deficiency) of Revenues over Expenditures	132,377	(1,115,842)	28,752	1,286,196	(709,035)	(377,552)
Other Financing Sources (Uses)						
Transfers in	1,076,859	589,369	-	-	61,966	1,728,194
Transfers out	(746,820)	-	(79,887)	(416,733)	(464,429)	(1,707,869)
Total Other Financing Sources (Uses)	330,039	589,369	(79,887)	(416,733)	(402,463)	20,325
Change in fund balance	462,416	(526,473)	(51,135)	869,463	(1,111,498)	(357,227)
Fund Balances, at Beginning of year, as reclassified	4,679,463	700,330	544,823	5,536,027	1,096,135	12,556,778
Fund Balances, at End of Year	\$ 5,141,879	\$ 173,857	\$ 493,688	\$ 6,405,490	\$ (15,363)	\$ 12,199,551

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, 2021

Net changes in fund balances - total governmental funds	\$ (357,227)
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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, net of disposals	6,715,654
Depreciation	(2,608,773)

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

Repayments of general obligation bonds	290,000
Repayments of capital leases	156,377
Repayment of amount due to Dresden Regional School District	100,000

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

(30,940)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in net pension liability and related deferred outflows and inflows	(2,470,854)
Change in net OPEB liability and related deferred outflows and inflows	(156,731)
Change in compensated absences	(349,358)
Other differences	3,382
Change in net position of governmental activities	\$ 1,291,530

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

TOWN OF HANOVER, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Reclamation Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 170,104	\$ 2,428,248	\$ 2,598,352
Cash advances	(592,476)	592,476	-
User fee receivables	302,273	-	302,273
Intergovernmental receivables	-	29,106	29,106
Prepaid expenses	764,407	346,513	1,110,920
Other assets	23,799	-	23,799
Total Current Assets	668,107	3,396,343	4,064,450
Noncurrent:			
Intergovernmental receivables	-	203,742	203,742
Capital Assets:			
Nondepreciable capital assets	150,873	399,076	549,949
Other capital assets, net of accumulated depreciation	9,200,764	11,034,126	20,234,890
Total Noncurrent Assets	9,351,637	11,636,944	20,988,581
Total Assets	10,019,744	15,033,287	25,053,031
Deferred Outflows of Resources			
Related to pensions	104,968	145,789	250,757
Related to OPEB	10,673	14,824	25,497
Total Deferred Outflows of Resources	115,641	160,613	276,254

(continued)

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

TOWN OF HANOVER, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
June 30, 2021

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Reclamation Fund	Total
Liabilities			
Current:			
Accounts payable	28,046	48,560	76,606
Accrued liabilities	62,468	76,044	138,512
Current portion of long-term liabilities:			
Loans payable	639,399	498,418	1,137,817
Compensated absences	6,433	10,173	16,606
Capital leases	<u>76,597</u>	-	<u>76,597</u>
Total Current Liabilities	812,943	633,195	1,446,138
Noncurrent:			
Loans payable, net of current portion	2,172,313	3,117,274	5,289,587
Net pension liability	389,714	541,269	930,983
Net OPEB liability	66,450	92,291	158,741
Compensated absences, net of current portion	<u>57,898</u>	<u>91,560</u>	<u>149,458</u>
Total Noncurrent Liabilities	<u>2,686,375</u>	<u>3,842,394</u>	<u>6,528,769</u>
Total Liabilities	3,499,318	4,475,589	7,974,907
Deferred Inflows of Resources			
Related to pensions	23,041	32,001	55,042
Related to OPEB	<u>17,536</u>	<u>24,355</u>	<u>41,891</u>
Total Deferred Inflows of Resources	40,577	56,356	96,933
Net Position			
Net investment in capital assets	6,463,328	7,817,510	14,280,838
Unrestricted	<u>132,162</u>	<u>2,844,445</u>	<u>2,976,607</u>
Total Net Position	<u>\$ 6,595,490</u>	<u>\$ 10,661,955</u>	<u>\$ 17,257,445</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

Proprietary Funds
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Year Ended June 30, 2021

	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	\$ 1,916,318	\$ 2,795,700	\$ 4,712,018
Other	<u>12,501</u>	<u>-</u>	<u>12,501</u>
Total Operating Revenues	1,928,819	2,795,700	4,724,519
Operating Expenses			
Salaries and benefits	(273,718)	1,299,690	1,025,972
Other operating expenses	542,156	259,853	802,009
Depreciation	<u>408,325</u>	<u>1,198,491</u>	<u>1,606,816</u>
Total Operating Expenses	<u>676,763</u>	<u>2,758,034</u>	<u>3,434,797</u>
Operating Income (Loss)	1,252,056	37,666	1,289,722
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	-	105,889	105,889
Interest expense	<u>(131,525)</u>	<u>(164,695)</u>	<u>(296,220)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(131,525)</u>	<u>(58,806)</u>	<u>(190,331)</u>
Income (Loss) Before Transfers	1,120,531	(21,140)	1,099,391
Transfers in	<u>44,794</u>	<u>50,691</u>	<u>95,485</u>
Change in Net Position	1,165,325	29,551	1,194,876
Net Position, Beginning of Year	<u>5,430,165</u>	<u>10,632,404</u>	<u>16,062,569</u>
Net Position, End of Year	<u>\$ 6,595,490</u>	<u>\$ 10,661,955</u>	<u>\$ 17,257,445</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, 2021

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Reclamation Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 2,386,223	\$ 2,726,379	\$ 5,112,602
Payments to employees	(519,831)	(1,793,787)	(2,313,618)
Payments to vendors	<u>(547,522)</u>	<u>(421,981)</u>	<u>(969,503)</u>
Net Cash Provided By (Used For) Operating Activities	1,318,870	510,611	1,829,481
Cash Flows From Noncapital Financing Activities			
Transfers in	44,794	50,691	95,485
Intergovernmental revenue	-	105,889	105,889
Net Cash Provided By (Used For) Noncapital Financing Activities	44,794	156,580	201,374
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets, net of disposals	(69,002)	(95,137)	(164,139)
Principal payments on bonds	(633,037)	(489,496)	(1,122,533)
Capital lease payments	(74,690)	-	(74,690)
Interest expense	<u>(131,525)</u>	<u>(88,651)</u>	<u>(220,176)</u>
Net Cash (Used For) Capital and Related Financing Activities	(908,254)	(673,284)	(1,581,538)
Net Change in Cash and Short-Term Investments	455,410	(6,093)	449,317
Cash and Short-Term Investments, Beginning of Year	<u>(877,782)</u>	<u>3,026,817</u>	<u>2,149,035</u>
Cash and Short-Term Investments, End of Year	<u>\$ (422,372)</u>	<u>\$ 3,020,724</u>	<u>\$ 2,598,352</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Operating income	\$ 1,252,056	\$ 37,666	\$ 1,289,722
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	408,325	1,198,491	1,606,816
Changes in assets, liabilities, deferred inflows, and deferred outflows:			
User fee receivables	457,404	-	457,404
Deferred outflows - related to pensions	44,358	(6,453)	37,905
Deferred outflows - related to OPEB	26,265	19,643	45,908
Accounts payable	(1,604)	(130,099)	(131,703)
Accrued liabilities	(23,614)	52,180	28,566
Compensated absences	4,260	9,152	13,412
Net pension liability	(595,522)	(378,058)	(973,580)
Net OPEB liability	(199,144)	(155,537)	(354,681)
Deferred inflows - related to pensions	(51,251)	16,665	(34,586)
Deferred inflows - related to OPEB	1,099	24,355	25,454
Other liabilities	<u>(3,762)</u>	<u>(177,394)</u>	<u>(181,156)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 1,318,870</u>	<u>\$ 510,611</u>	<u>\$ 1,829,481</u>

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

TOWN OF HANOVER, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Cash and short-term investments	\$ 1,186,612
Investments	1,785,369
Due from external parties	<u>17,794,196</u>
Total Assets	20,766,177
Liabilities	
Due to external parties	147
Due to County	2,261,762
Due to School Districts	<u>15,532,434</u>
Total Liabilities	17,794,343
Net Position	
Restricted for individuals, organizations, and other governments	2,971,834
Total Net Position	<u>\$ 2,971,834</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, 2021

	<u>Custodial Fund</u>
Additions	
Taxes collected on behalf of School Districts	\$ 28,564,014
Taxes collected on behalf of County	4,170,246
Fees collected on behalf of State of New Hampshire	397,691
Fees collected on behalf of Trescott Company	33,120
Interest	376,111
Less: management fees	<u>(7,845)</u>
 Total Additions	 33,533,337
Deductions	
Payments of taxes to School Districts	28,564,014
Payments of taxes to County	4,170,246
Payments of fees to State of New Hampshire	397,691
Payments on behalf of School Districts	10,861
Payments on behalf of Trescott Company	27,683
Transfers out	<u>115,810</u>
 Total deductions	 <u>33,286,305</u>
 Change in net position	 247,032
Restricted net position	
Beginning of year	<u>2,724,802</u>
End of year	<u>\$ 2,971,834</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 significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Selectboard. 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 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* accounts for financial transactions used for the acquisition or construction of major capital facilities and infrastructure.
- The *Fire Fund* accounts for the activities associated with the Town's fire department operations and is primarily funded through taxation.
- The *Nonexpendable Fund* is used to account for financial resources related to permanent trust funds that are legally restricted to the extent that balances may only be used to support governmental programs for the benefit of residents.

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

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

The Town reports the following major proprietary funds:

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

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

The Town reports the following fiduciary fund:

- The *Custodial Fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and is not required to be reported elsewhere on the financial statements. Custodial Fund activity includes taxes and fees collected on behalf of other governments, as well as capital reserve funds held in a trust by the Trustee of Trust Funds.

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

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

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the State Banking Commission. The portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Interfund Receivables and Payables

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

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is

reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Town's budget is originally prepared by the Town Manager with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. The Town Manager then presents the proposed budget to the Selectboard and the advisory Finance Committee. After reviewing the budget, the Selectboard holds 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 Selectboard cannot increase the total of the approved budget (i.e., legal level of control); however, they have the power to reclassify its components when necessary.

Formal budgetary reporting and integration is employed as a management control device during the year for the General Fund and Fire Fund.

3. Deposits and Investments

State statutes (RSA 41:29 for Towns) place certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), established pursuant to RSA 383:22, in New Hampshire Banks or banks outside the State of New Hampshire if such banks pledge and deliver to a third-party custodial bank with various collateralized security.

State statute RSA 35:9, for town capital reserve funds, limits funds be invested in federally or state-chartered banks or associations authorized by the State of New Hampshire; in bonds or notes of the State of New Hampshire; in stocks and bonds as are legal for investment by banks and associations chartered by the State of New Hampshire to engage in a banking business; in NHPDIP established pursuant to RSA 383:22; or in obligations with principal and interest fully guaranteed by the United States government.

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 states "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, [except] 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, 2021, none of the Town's bank balance of \$34,190,825 was exposed to custodial credit risk as uninsured and/or uncollateralized.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Equity exchange traded products	\$ 6,003,370

Custodial Credit Risk - Investments

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

As of June 30, 2021, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town's name.

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2021, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Foreign Currency Risk

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

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

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

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

The Town has the following fair value measurements as of June 30, 2021:

Fair Value Measurements Using:				
		Quoted prices in active markets for identical assets	Significant observable inputs	Significant unobservable inputs
<u>Investment Type</u>	<u>Amount</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level:				
Equity exchange traded products	\$ 6,003,370	\$ 6,003,370	\$ -	\$ -

4. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at June 30, 2021 consist of the following:

	<u>Gross</u>		<u>Long-</u>	
	<u>Amount</u>	<u>Current</u>	<u>Term</u>	
	<u>(fund basis)</u>	<u>Portion</u>	<u>Portion</u>	
Real estate taxes	\$ 6,617,909	\$ 6,617,909	\$ -	-
Tax liens	<u>241,486</u>	<u>-</u>	<u>241,486</u>	
Total property taxes	\$ <u>6,859,395</u>	\$ <u>6,617,909</u>	\$ <u>241,486</u>	

Taxes Collected for Others

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

5. User Fees Receivable

Receivables for user charges at June 30, 2021 consist of the following:

	<u>Gross</u>	
	<u>Amount</u>	
Governmental Funds:		
General Fund	\$ 245,030	
Fire Fund	15,588	
Ambulance Fund	<u>52,008</u>	
Subtotal Governmental Funds	312,626	
Business-Type Funds:		
Water Fund	<u>302,273</u>	
Total	\$ <u>614,899</u>	

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and/or State agencies for expenditures incurred in fiscal year 2021.

7. Prepaid Expenses

This balance represents fiscal year 2022 expenses paid in June of fiscal year 2021.

8. Interfund 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 composition of interfund balances as of June 30, 2021 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 17,794,196
Custodial Fund	<u>17,794,196</u>	-
Total	<u>\$ 17,794,196</u>	<u>\$ 17,794,196</u>

Transfers

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

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,076,859	\$ 746,820
Capital Projects Fund	589,369	-
Fire Fund	-	79,887
Non Expendable Fund	-	416,733
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	2,813	-
Conservation	-	178,500
Downtown Business	35,750	-
Housing	-	21,605
Parking	-	264,324
Recreation	22,872	-
Special Purpose	<u>531</u>	<u>-</u>
Subtotal nonmajor governmental funds	61,966	464,429
<u>Fiduciary Fund</u>		
Custodial Fund	-	115,810
<u>Business-Type Funds</u>		
Water Fund	44,794	-
Water Reclamation Fund	<u>50,691</u>	<u>-</u>
Subtotal business-type funds	<u>95,485</u>	<u>-</u>
Total	<u>\$ 1,823,679</u>	<u>\$ 1,823,679</u>

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

9. Capital Assets

Capital asset activity for the year ended June 30, 2021 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	\$ 16,479,147	\$ 1,072,362	\$ -	\$ 17,551,509
Machinery, equipment, and furnishings	4,408,252	750,329	-	5,158,581
Vehicles	7,354,048	358,087	-	7,712,135
Infrastructure	<u>54,209,380</u>	<u>2,569,848</u>	<u>-</u>	<u>56,779,228</u>
Total capital assets, being depreciated	82,450,827	4,750,626	-	87,201,453
Less accumulated depreciation for:				
Buildings and improvements	(7,336,186)	(492,844)	-	(7,829,030)
Machinery, equipment, and furnishings	(1,823,392)	(344,807)	-	(2,168,199)
Vehicles	(3,878,311)	(358,850)	-	(4,237,161)
Infrastructure	<u>(38,729,803)</u>	<u>(1,412,272)</u>	<u>-</u>	<u>(40,142,075)</u>
Total accumulated depreciation	<u>(51,767,692)</u>	<u>(2,608,773)</u>	<u>-</u>	<u>(54,376,465)</u>
Capital assets being depreciated, net	30,683,135	2,141,853	-	32,824,988
Capital assets, not being depreciated:				
Land	4,503,422	1,965,028	-	6,468,450
Construction in progress	20,000	-	-	20,000
Total capital assets, not being depreciated	<u>4,523,422</u>	<u>1,965,028</u>	<u>-</u>	<u>6,488,450</u>
Governmental activities capital assets, net	<u>\$ 35,206,557</u>	<u>\$ 4,106,881</u>	<u>\$ -</u>	<u>\$ 39,313,438</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 13,570,844	\$ 52,690	\$ -	\$ 13,623,534
Machinery, equipment, and furnishings	12,724,331	19,108	-	12,743,439
Vehicles	498,763	27,871	-	526,634
Infrastructure	<u>13,092,887</u>	<u>64,470</u>	<u>-</u>	<u>13,157,357</u>
Total capital assets, being depreciated	39,886,825	164,139	-	40,050,964
Less accumulated depreciation for:				
Buildings and improvements	(6,765,717)	(515,057)	-	(7,280,774)
Machinery, equipment, and furnishings	(5,941,198)	(786,901)	-	(6,728,099)
Vehicles	(254,666)	(36,619)	-	(291,285)
Infrastructure	<u>(5,247,677)</u>	<u>(268,239)</u>	<u>-</u>	<u>(5,515,916)</u>
Total accumulated depreciation	<u>(18,209,258)</u>	<u>(1,606,816)</u>	<u>-</u>	<u>(19,816,074)</u>
Capital assets being depreciated, net	21,677,567	(1,442,677)	-	20,234,890
Capital assets, not being depreciated:				
Land	390,582	-	-	390,582
Construction in progress	<u>159,367</u>	<u>-</u>	<u>-</u>	<u>159,367</u>
Total capital assets, not being depreciated	<u>549,949</u>	<u>-</u>	<u>-</u>	<u>549,949</u>
Business-type activities capital assets, net	<u>\$ 22,227,516</u>	<u>\$ (1,442,677)</u>	<u>\$ -</u>	<u>\$ 20,784,839</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 89,367
Public safety	707,338
Highways and streets	1,717,828
Culture and recreation	<u>94,240</u>
Total depreciation expense - governmental activities	<u>\$ 2,608,773</u>

Business-Type Activities:	
Water	\$ 408,325
Water reclamation	<u>1,198,491</u>
Total depreciation expense - business-type activities	<u>\$ 1,606,816</u>

10. Deferred Outflows of Resources

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

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent fiscal year 2021 expenses paid in fiscal year 2022.

12. Due to Other Governments

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

13. Notes Payable

The Town issued a note with the Dresden School District as part of an option to have the first right of refusal over the Hanover High School Property. The Town had the following note outstanding at June 30, 2021:

<u>Purpose</u>	Interest <u>Rate</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	Balance at <u>6/30/21</u>
Dresden School District - Property Option	0.00%	04/16/04	08/10/23	\$ <u>300,000</u>
Total				\$ <u>300,000</u>

The following summarizes activity in notes payable during fiscal year 2021:

<u>Purpose</u>	Balance <u>Beginning of Year</u>	Balance <u>New Issues</u>	Balance <u>Maturities</u>	Balance <u>End of Year</u>
Dresden School District - Property Option	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>300,000</u>
Total	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>(100,000)</u>	\$ <u>300,000</u>

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2021:

<u>Fiscal Year</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2022	\$ 170,031	\$ 7,008
2023	37,499	7,008
2024	24,762	2,338
2025	<u>24,762</u>	-
Total payments	257,054	16,354
Less amounts representing interest	<u>(13,831)</u>	-
Present value of minimum lease payments	\$ <u>243,223</u>	\$ <u>16,354</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2021:

	<u>Governmental Activities</u>
Machinery, vehicles, and equipment	\$ 799,616
Less: accumulated depreciation	<u>(73,252)</u>
Equipment under capital leases, net	\$ <u>726,364</u>

15. Long-Term Debt

General Obligation Bonds and Loans

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

<u>Governmental Activities</u>					<u>Amount Outstanding as of 6/30/21</u>
	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>		
<u>General Obligation Bonds</u>					
Public offerings:					
1999 Parking Facility	\$ 5,100,000	01/15/29	4.00-4.90%	\$ 2,120,000	
2003 Community Center	1,500,000	01/15/23	4.25-4.90%	<u>150,000</u>	
Total general obligation bonds				\$ <u>2,270,000</u>	

<u>Business-Type Activities</u>				Amount
	Original Issue	Serial Maturities Through	Interest Rate(s) %	Outstanding as of 6/30/21
<u>Direct Borrowings</u>				
SRF Loan - Water	\$ 4,035,000	02/01/22	2.22%	\$ 277,428
SRF Loan - Water	6,493,081	10/01/27	3.35%	2,534,284
2008 SRF Loan - Sewer	2,963,955	12/01/27	3.49%	1,037,381
SRF Loan - Water Pollution	1,722,721	08/01/26	2.91%	402,673
SRF Loan - Water Pollution	4,235,000	07/01/27	2.55%	<u>2,175,638</u>
Total direct borrowings				\$ <u>6,427,404</u>

Future Debt Service

The annual payments to retire all general obligation bonds and notes outstanding as of June 30, 2021 are as follows:

<u>Bonds - Public Offerings</u>			
<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 300,000	\$ 111,017	
2023	310,000	96,411	
2024	245,000	81,278	
2025	255,000	69,336	
2026	270,000	56,840	
2027-2029	<u>890,000</u>	<u>88,444</u>	
Total	<u>\$ 2,270,000</u>	<u>\$ 503,326</u>	

<u>Loans - Direct Borrowings</u>			
<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 1,137,817	\$ 197,347	
2023	881,677	170,891	
2024	903,612	143,786	
2025	926,214	116,016	
2026	949,503	87,556	
2027-2028	<u>1,628,581</u>	<u>86,881</u>	
Total	<u>\$ 6,427,404</u>	<u>\$ 802,477</u>	

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities							
Bonds payable:							
Public offerings	\$ 2,560,000	\$ -	\$ (290,000)	\$ 2,270,000	\$ (300,000)	\$ 1,970,000	
Net pension liability	15,038,448	5,681,322	-	20,719,770	-	20,719,770	
Net OPEB liability	4,053,989	-	(521,073)	3,532,916	-	3,532,916	
Dresden Regional School District	400,000	-	(100,000)	300,000	(100,000)	200,000	
Compensated absences	2,403,915	349,358	-	2,753,273	(275,327)	2,477,946	
Capital leases	399,600	-	(156,377)	243,223	(161,036)	82,187	
Total	\$ 24,855,952	\$ 6,030,680	\$ (1,067,450)	\$ 29,819,182	\$ (836,363)	\$ 28,982,819	
Business-Type Activities							
Loans payable (direct borrowings)	\$ 7,549,937	\$ -	\$ (1,122,533)	\$ 6,427,404	\$ (1,137,817)	\$ 5,289,587	
Net pension liability	1,904,563	-	(973,580)	930,983	-	930,983	
Net OPEB liability	513,422	-	(354,681)	158,741	-	158,741	
Compensated absences	152,652	13,412	-	166,064	(16,606)	149,458	
Capital leases	151,287	-	(74,690)	76,597	(76,597)	-	
Total	\$ 10,271,861	\$ 13,412	\$ (2,525,484)	\$ 7,759,789	\$ (1,231,020)	\$ 6,528,769	

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in the enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and enterprise funds.

16. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. 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, 2021:

Nonspendable

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

Restricted

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

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds, and various special revenue funds.

Assigned

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

Unassigned

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

Following is a breakdown of the Town's fund balances at June 30, 2021:

	General Fund	Capital Projects Fund	Fire Fund	Non Expendable Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid expenditures	\$ 108,338	\$ -	\$ -	\$ -	\$ -	\$ 108,338
Nonexpendable permanent funds:						
Bressett memorial fund	-	-	-	5,775,240	-	5,775,240
Other trust funds	-	-	-	630,250	-	630,250
Total Nonspendable	108,338	-	-	6,405,490	-	6,513,828
Restricted						
Fire fund	-	-	493,688	-	-	493,688
Special revenue funds:						
Ambulance fund	-	-	-	-	78,186	78,186
Conservation fund	-	-	-	-	294,940	294,940
LGCPA fund	-	-	-	-	16,866	16,866
Parking fund	-	-	-	-	500,000	500,000
Recreation fund	-	-	-	-	60,654	60,654
Special purpose fund	-	-	-	-	64,144	64,144
Total Restricted	-	-	493,688	-	1,014,790	1,508,478
Committed						
Capital reserve funds	1,828,735	-	-	-	-	1,828,735
Capital projects	-	532,276	-	-	-	532,276
Total Committed	1,828,735	532,276	-	-	-	2,361,011
Assigned						
Encumbrances:						
General government	424,760	-	-	-	-	424,760
Public safety	180,648	-	-	-	-	180,648
Highways and streets	246,803	-	-	-	-	246,803
Total Assigned	852,211	-	-	-	-	852,211
Unassigned						
General fund	2,352,595	-	-	-	-	2,352,595
Capital projects - deficit	-	(358,419)	-	-	-	(358,419)
Parking fund - deficit	-	-	-	-	(1,030,153)	(1,030,153)
Total Unassigned	2,352,595	(358,419)	-	-	(1,030,153)	964,023
Total Fund Balance	\$ 5,141,879	\$ 173,857	\$ 493,688	\$ 6,405,490	\$ (15,363)	\$ 12,199,551

18. 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	\$ 2,352,595
Unavailable revenue	41,276
Reserve for special purposes	852,211
Reserve for prepaids	<u>108,338</u>
Tax Rate Setting balance	<u>\$ 3,354,420</u>

19. Retirement System

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

Plan Description

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

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

Benefits Provided

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by

January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

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

Contributions

Plan members are required to contribute a percentage of their Earnable Compensation to the pension plan, which the contribution rates are 7% for employees and teachers, 11.55% for police, and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 26.43% of covered compensation. The Town's contribution to the System for the year ended June 30, 2021 was \$1,624,231, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the Town reported a liability of \$21,650,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2020, the Town's proportion was 0.33849657%, which was a decrease of 0.01362791% from its previous year proportion.

For the year ended June 30, 2021, the Town recognized pension expense of \$3,070,836. 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	\$ 584,675	\$ (232,467)
Changes of assumptions	2,141,689	-
Differences between projected and actual earnings on pension plan investments	1,339,122	-
Changes in proportion and differences between contributions and proportionate share of contributions	141,830	(1,047,576)
Contributions subsequent to the measurement date	<u>1,624,232</u>	-
Total	<u>\$ 5,831,548</u>	<u>\$ (1,280,043)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$ 558,665	
2023	684,354	
2024	803,796	
2025	<u>880,458</u>	
Total	<u>\$ 2,927,273</u>	

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.00% per year
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation

Mortality rates were based on the Pub-2010 healthy retiree mortality tables with credibility adjustments for each group (police and fire combined) and projected fully generational mortality improvements using scale MS-2019.

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

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.

Actuarial assumptions reflect benefit changes resulting from CH 340 laws of 2019 (HB616), which grants a one-time 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiary of such member. The COLA will take effect on the retired members' first anniversary date of retirement occurring after July 1, 2020.

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Real Rate of Return</u>
Large Cap Equities	22.50 %	3.71%
Small/Mid Cap Equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	3.96%
Emerging Int'l Equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core Bonds	9.00	0.42%
Global Multi-Sector Fixed Income	10.00	1.66%
Absolute Return Fixed Income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	<u>15.00</u>	
Real estate	<u>10.00</u>	2.95%
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

		Current			
1%		Discount	1%		
Decrease		Rate	Increase		
		<u>(6.75%)</u>		<u>(7.75%)</u>	
\$	28,028,912	\$	21,650,753	\$	16,438,950

Pension Plan Fiduciary Net Position

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

20. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Town OPEB Plan

All the following OPEB disclosures for the Town OPEB Plan are based on a measurement date of June 30, 2021.

General Information about the OPEB Plan

Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

The Town's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

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

Plan Membership

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	13
Active employees	<u>141</u>
Total	<u><u>154</u></u>

Funding Policy

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

Actuarial Assumptions and Other Inputs

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

Inflation	2.00%
Discount rate	2.16%
Healthcare cost trend rates	7 percent for 2021, decreasing 0.4 percent per year to 5.4 percent, then grading down to an ultimate trend rate of 4 percent, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation is reached in 2075.
Pre-Retirement Mortality - General and Public Safety employees	RP-2014 Employees Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2019
Post-Retirement Mortality - General and Public Safety employees	RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2019
Retirees' share of benefit-related costs	100%

The discount rate was based on the long-term municipal bond rate at June 30, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$2,376,933 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, beginning of year	\$ 3,093,329
Changes for the year:	
Service cost	158,231
Interest	70,711
Differences between expected and actual experience	(827,706)
Changes in assumptions or other inputs	(13,686)
Benefit payments	<u>(103,946)</u>
Net Change	<u>(716,396)</u>
Balance, end of year	<u>\$ 2,376,933</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021. All other assumptions were the same as those used in the previous measurement.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Current		
1%	Discount	1%
Decrease	Rate	Increase
<u>1.16%</u>	<u>2.16%</u>	<u>3.16%</u>
\$ 2,606,859	\$ 2,376,933	\$ 2,169,811

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Current		
1%	Healthcare	1%
Decrease	Cost Trend	Increase
<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
\$ 2,109,002	\$ 2,376,933	\$ 2,695,414

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$136,515. At June 30, 2021, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in assumptions	\$ 428,149	\$ (950,835)
Total	<u>\$ 428,149</u>	<u>\$ (950,835)</u>

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

<u>Fiscal Year Ended:</u>		
2022	\$	(92,427)
2023		(74,674)
2024		(57,486)
2025		(53,514)
2026		(53,514)
Thereafter		<u>(191,071)</u>
Total	\$	<u>(522,686)</u>

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed above, the Town participates in the New Hampshire Retirement System (NHRs) Medical Subsidy. The NHRs administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officers and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

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

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The OPEB plan is closed to new entrants. The monthly Medical Subsidy rates are:

- 1 Person - \$375.56
- 2 Person - \$751.12
- 1 Person Medicare Supplement - \$236.84
- 2 person Medicare Supplement - \$473.68

Contributions

Pursuant to RSA 100-A:16,III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.29% of gross payroll for Group I employees, and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the medical subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2020 was \$1,314,724, representing 0.30036492%.

For the year ended June 30, 2021, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$140,407. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ 4,919	\$ (3,810)
Changes in proportion	-	(19,573)
Change in assumptions	8,453	-
Contributions after the measurement date	<u>151,435</u>	<u> </u>
Total	<u>\$ 164,807</u>	<u>\$ (23,383)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

<u>Fiscal Year Ended:</u>	
2022	\$ (14,556)
2023	1,456
2024	1,736
2025	<u>1,353</u>
Total	\$ <u>(10,011)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1%	Current Discount	1%
Decrease		Rate	Increase
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
\$ 1,427,653	\$ 1,314,724	\$ 1,216,680	

Healthcare Cost Trend Rate

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

Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and (Inflows)

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2021:

	Total OPEB Liability	Total Deferred Outflows of Resources	Total (Inflows) of Resources	Total OPEB Expense
Town OPEB Plan	\$ 2,376,933	\$ 428,149	\$ (950,835)	\$ 136,515
Proportionate share of NHRS Medical Subsidy Plan	<u>1,314,724</u>	<u>164,807</u>	<u>(23,383)</u>	<u>140,407</u>
Total	<u>\$ 3,691,657</u>	<u>\$ 592,956</u>	<u>\$ (974,218)</u>	<u>\$ 276,922</u>

21. Change in Accounting Principle

During 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded through a

General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund

22. Commitments and Contingencies

COVID-19

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

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's General Fund has \$852,211 in encumbrances that will be honored in the next fiscal year.

23. Beginning Net Position and Fund Balance Reclassification

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

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Private Purose Trust Fund</u>
As previously reported	\$ 24,752,444	\$ 97,726
Implementation of GASB 84	(243,865)	-
Reclassification of activities	<u>97,726</u>	<u>(97,726)</u>
As reclassified	<u>\$ 24,606,305</u>	<u>\$ -</u>

Fund Basis Financial Statements:

	<u>Capital Projects Fund</u>	<u>Non Expendable Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
As previously reported	\$ -	\$ 5,411,442	\$ 2,067,159	\$ 7,478,601
Major fund in FY21	700,330	-	(700,330)	-
Implementation of GASB 84	-	26,859	(270,694)	(243,835)
Reclassification of activities	<u>-</u>	<u>97,726</u>	<u>-</u>	<u>97,726</u>
As reclassified	<u>\$ 700,330</u>	<u>\$ 5,536,027</u>	<u>\$ 1,096,135</u>	<u>\$ 7,332,492</u>

24. Subsequent Events

Management has evaluated subsequent events through July 6, 2022, which is the date the financial statements were available to be issued. On December 10, 2021 the Town issued a general obligation note in the amount of \$950,000, maturing on December 10, 2041. This note was issued to finance the repair of bridges in the Town.

25. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual
For the Year Ended June 30, 2021

(unaudited)

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 9,920,774	\$ 9,920,774	\$ 10,426,733	\$ 505,959
Penalties, interest, and other taxes	216,730	216,730	288,240	71,510
Charges for services	1,748,841	1,748,841	1,168,844	(579,997)
Intergovernmental	909,411	909,411	880,461	(28,950)
Licenses and permits	2,370,600	2,370,600	2,237,152	(133,448)
Investment income	360,000	360,000	67,999	(292,001)
Miscellaneous	<u>398,902</u>	<u>398,902</u>	<u>125,308</u>	<u>(273,594)</u>
Total Revenues	<u>15,925,258</u>	<u>15,925,258</u>	<u>15,194,737</u>	<u>(730,521)</u>
Expenditures				
General government	6,209,096	6,209,096	5,707,497	501,599
Public safety	3,005,246	3,005,246	2,722,542	282,704
Highways and streets	4,105,040	4,105,040	3,250,531	854,509
Sanitation	258,970	258,970	272,902	(13,932)
Health and human services	429,692	429,692	430,408	(716)
Culture and recreation	2,663,810	2,663,810	2,068,975	594,835
Conservation	32,700	32,700	1,403	31,297
Debt service	<u>180,913</u>	<u>180,913</u>	<u>180,913</u>	<u>-</u>
Total Expenditures	<u>16,885,467</u>	<u>16,885,467</u>	<u>14,635,171</u>	<u>2,250,296</u>
Excess (deficiency) of revenues over expenditures	(960,209)	(960,209)	559,566	1,519,775
Other Financing Sources/Uses				
Transfers in	1,985,776	1,985,776	1,919,228	(66,548)
Transfers out	(1,455,567)	(1,455,567)	(1,419,624)	35,943
Use of fund balance - surplus	<u>430,000</u>	<u>430,000</u>	<u>-</u>	<u>(430,000)</u>
Total Other Financing Sources/Uses	<u>960,209</u>	<u>960,209</u>	<u>499,604</u>	<u>(460,605)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,170</u>	<u>\$ 1,059,170</u>

See Independent Auditor's Report and notes to the Required Supplementary Information.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
Fire Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual
For the Year Ended June 30, 2021

(unaudited)

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 3,412,987	\$ 3,412,987	\$ 3,428,421	\$ 15,434
Charges for services	140,956	140,956	129,880	(11,076)
Intergovernmental	<u>15,000</u>	<u>15,000</u>	<u>20,588</u>	<u>5,588</u>
Total Revenues	3,568,943	3,568,943	3,578,889	9,946
Expenditures				
Public safety	<u>3,558,076</u>	<u>3,558,076</u>	<u>3,536,939</u>	<u>21,137</u>
Total Expenditures	<u>3,558,076</u>	<u>3,558,076</u>	<u>3,536,939</u>	<u>21,137</u>
Excess (deficiency) of revenues over expenditures	10,867	10,867	41,950	31,083
Other Financing Sources/Uses				
Transfers out	(56,000)	(56,000)	(79,887)	(23,887)
Use of fund balance	<u>45,133</u>	<u>45,133</u>	<u>-</u>	<u>(45,133)</u>
Total Other Financing Sources/Uses	<u>(10,867)</u>	<u>(10,867)</u>	<u>(79,887)</u>	<u>(69,020)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u> -</u>	\$ <u> -</u>	\$ <u>(37,937)</u>	\$ <u>(37,937)</u>

See Independent Auditor's Report.

Notes to the Required Supplementary Information for General Fund Budget

Budgetary Basis

The General Fund final appropriation appearing on page 58 represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 15,197,595	\$ 15,065,218	\$ 330,039
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,258,179)	-
Add end-of-year appropriation carryforwards from expenditures	-	852,211	-
To eliminate capital reserve activity	<u>(2,858)</u>	<u>(24,079)</u>	<u>169,565</u>
Budgetary basis	<u>\$ 15,194,737</u>	<u>\$ 14,635,171</u>	<u>\$ 499,604</u>

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

Budget/GAAP Reconciliation

The budgetary data for the Fire Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the Fire Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data. The primary difference between the budgetary basis and GAAP basis expenditures represents the change in encumbrances.

TOWN OF HANOVER, NEW HAMPSHIRE

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

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.33849657%	\$ 21,650,753	\$ 9,276,904	233.38%	58.72%
June 30, 2020	June 30, 2019	0.35212448%	\$ 16,943,011	\$ 9,158,574	185.00%	65.59%
June 30, 2019	June 30, 2018	0.37153872%	\$ 17,890,340	\$ 9,382,153	190.68%	64.73%
June 30, 2018	June 30, 2017	0.37216508%	\$ 18,303,052	\$ 8,722,964	209.83%	62.66%
June 30, 2017	June 30, 2016	0.34634484%	\$ 18,959,115	\$ 8,160,486	232.33%	58.30%
June 30, 2016	June 30, 2015	0.34634484%	\$ 13,720,546	\$ 7,849,449	174.80%	65.47%
June 30, 2015	June 30, 2014	0.36323047%	\$ 13,634,167	\$ 7,807,102	174.64%	66.32%

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

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

See Independent Auditor's Report.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contributions in Relation to the						Contributions as a Percentage of <u>Covered Payroll</u>
		Actuarially <u>Determined</u>	Actuarially <u>Determined</u>	Contribution <u>Deficiency</u> <u>(Excess)</u>	Covered <u>Payroll</u>			
June 30, 2021	June 30, 2020	\$ 1,624,231	\$ 1,624,231	\$ -	\$ 9,965,867			16.30%
June 30, 2020	June 30, 2019	\$ 1,503,744	\$ 1,503,744	\$ -	\$ 9,276,905			16.21%
June 30, 2019	June 30, 2018	\$ 1,531,539	\$ 1,531,539	\$ -	\$ 9,158,574			16.72%
June 30, 2018	June 30, 2017	\$ 1,566,018	\$ 1,566,018	\$ -	\$ 9,382,153			16.69%
June 30, 2017	June 30, 2016	\$ 1,362,491	\$ 1,362,491	\$ -	\$ 8,722,964			15.62%
June 30, 2016	June 30, 2015	\$ 1,271,788	\$ 1,271,788	\$ -	\$ 8,160,486			15.58%
June 30, 2015	June 30, 2014	\$ 1,163,415	\$ 1,163,415	\$ -	\$ 7,849,449			14.82%

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

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

See Independent Auditor's Report.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
Schedules of Proportionate Share and Contributions of the Net OPEB Liability

(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2021	June 30, 2020	0.30036492%	\$1,314,724	\$ 9,276,904	14.17%	7.74%
June 30, 2020	June 30, 2019	0.33623273%	\$1,474,082	\$ 9,158,574	16.10%	7.75%
June 30, 2019	June 30, 2018	0.35454091%	\$1,623,251	\$ 9,382,153	17.30%	7.53%
June 30, 2018	June 30, 2017	0.23263676%	\$1,063,694	\$ 8,722,964	12.19%	7.91%
June 30, 2017	June 30, 2016	0.22040539%	\$1,066,994	\$ 8,160,486	13.08%	5.21%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
June 30, 2021	June 30, 2020	\$151,435	\$151,435	\$ -	\$9,965,867	1.52%
June 30, 2020	June 30, 2019	\$139,421	\$139,421	\$ -	\$9,276,905	1.50%
June 30, 2019	June 30, 2018	\$153,506	\$153,506	\$ -	\$9,158,574	1.68%
June 30, 2018	June 30, 2017	\$137,760	\$137,760	\$ -	\$9,382,153	1.47%
June 30, 2017	June 30, 2016	\$127,273	\$127,273	\$ -	\$8,722,964	1.46%

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

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

See Independent Auditor's Report.

TOWN OF HANOVER, NEW HAMPSHIRE

Required Supplementary Information
 Other Post-Employment Benefits (OPEB)
 Schedule of Changes in the Total OPEB Liability

(Unaudited)

Hanover OPEB Plan *

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 158,231	\$ 118,134	\$ 102,680	\$ 104,375
Interest	70,711	93,951	98,463	89,997
Differences between expected and actual experience	(827,706)	-	(216,139)	-
Changes of assumptions	(13,686)	359,026	230,909	(68,394)
Benefit payments, including refunds of member contributions	<u>(103,946)</u>	<u>(87,939)</u>	<u>(94,689)</u>	<u>(93,081)</u>
Net change in total OPEB liability	(716,396)	483,172	121,224	32,897
Total OPEB liability - beginning	<u>3,093,329</u>	<u>2,610,157</u>	<u>2,488,933</u>	<u>2,456,036</u>
Total OPEB liability - ending	<u>\$ 2,376,933</u>	<u>\$ 3,093,329</u>	<u>\$ 2,610,157</u>	<u>\$ 2,488,933</u>
Covered employee payroll	\$ 10,466,524	\$ 10,201,817	\$ 9,406,722	\$ 9,164,583
Total OPEB liability as a percentage of covered employee payroll	22.71%	30.32%	27.75%	27.16%

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

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

*Does not include New Hampshire Retirement System Medical Subsidy.