



## **TOWN OF HANOVER, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

# **TOWN OF HANOVER, MASSACHUSETTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Hanover, Massachusetts

### **Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 April 21, 2020 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 Government'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.

*Melanson Heath*

April 21, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Hanover, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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, education, public works, health and human services, and culture and recreation. The business-type activities include water activities.

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

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

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

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

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

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 operations, which is considered to be a major fund.

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$46,148,221 (i.e., net position), a change of \$8,057,908 in comparison to the (restated) prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$23,480,039, a change of \$14,485,108 in comparison to the (restated) prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,640,594, a change of \$1,561,470 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

<u>NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 32,608	\$ 33,121	\$ 4,111	\$ 2,862	\$ 36,719	\$ 35,983
Capital assets	<u>126,498</u>	<u>115,604</u>	<u>10,682</u>	<u>9,110</u>	<u>137,180</u>	<u>124,714</u>
Total assets	159,106	148,725	14,793	11,972	173,899	160,697
Deferred outflows of resources	10,399	936	212	136	10,611	1,072
Current liabilities	10,527	24,134	2,494	1,079	13,021	25,213
Noncurrent liabilities	<u>120,134</u>	<u>92,044</u>	<u>4,324</u>	<u>3,859</u>	<u>124,458</u>	<u>95,903</u>
Total liabilities of resources	130,661	116,178	6,818	4,938	137,479	121,116
Deferred inflows	720	2,319	163	243	883	2,562
Net investment in capital assets	77,392	67,122	7,217	6,608	84,609	73,730
Restricted	12,527	12,648	-	-	12,527	12,648
Unrestricted	<u>(51,795)</u>	<u>(48,606)</u>	<u>807</u>	<u>318</u>	<u>(50,988)</u>	<u>(48,288)</u>
Total net position	\$ <u>38,124</u>	\$ <u>31,164</u>	\$ <u>8,024</u>	\$ <u>6,926</u>	\$ <u>46,148</u>	\$ <u>38,090</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$46,148,221, a change of \$8,057,908 in comparison to the prior year, as restated.

The largest portion of net position, \$84,608,857, 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 \$12,527,648 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 \$(50,988,284) primarily resulting from unfunded pension and OPEB liabilities.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,074	\$ 5,563	\$ 3,762	\$ 3,910	\$ 9,837	\$ 9,473
Operating grants and contributions	17,079	17,417	-	-	17,079	17,417
Capital grants and contributions	7,824	6,828	-	-	7,824	6,828
General revenues:						
Property taxes	46,419	44,137	-	-	46,419	44,137
Excises	3,078	3,025	-	-	3,078	3,025
Penalties and interest on taxes	265	291	-	-	265	291
Grants and contributions not restricted to specific programs	3,054	2,372	-	-	3,054	2,372
Investment income	525	311	-	-	525	311
Other	280	670	-	8	280	678
Total revenues	84,598	80,614	3,762	3,918	88,361	84,532

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
General government	3,855	3,627	-	-	3,855	3,627
Public safety	10,985	10,176	-	-	10,985	10,176
Education	53,010	49,296	-	-	53,010	49,296
Public works	4,710	4,462	-	-	4,710	4,462
Human services	1,082	867	-	-	1,082	867
Culture and recreation	1,449	1,328	-	-	1,449	1,328
Interest on long-term debt	1,767	1,500	-	-	1,767	1,500
Intergovernmental	662	637	-	-	662	637
Miscellaneous	54	2	-	-	54	2
Water	-	-	2,729	4,015	2,729	4,015
Total expenses	<u>77,574</u>	<u>71,895</u>	<u>2,729</u>	<u>4,015</u>	<u>80,303</u>	<u>75,910</u>
Change in net position before transfers	7,024	8,719	1,033	(97)	8,058	8,622
Transfers in (out)	<u>(64)</u>	<u>(66)</u>	<u>64</u>	<u>66</u>	<u>-</u>	<u>-</u>
Change in net position	6,960	8,653	1,098	(31)	8,058	8,622
Net position - beginning of year, as restated	<u>31,164</u>	<u>22,511</u>	<u>6,926</u>	<u>6,957</u>	<u>38,090</u>	<u>29,468</u>
Net position - end of year	<u>\$ 38,124</u>	<u>\$ 31,164</u>	<u>\$ 8,024</u>	<u>\$ 6,926</u>	<u>\$ 46,148</u>	<u>\$ 38,090</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$6,959,878. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,056,568
School capital project fund - accrual basis	6,525,228
Community preservation fund - operating results	785,696
Receipts reserved for appropriation fund - operating results	104,244
Nonmajor funds - accrual basis	2,132,324
Principal debt service in excess of depreciation expense	197,207
Change in other post-employment benefits liability and related deferred outflows/inflows	(1,976,119)
Change in net pension liability and related deferred outflows/inflows	(1,805,136)
Other GAAP accruals	<u>(60,134)</u>
Total	<u>\$ 6,959,878</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$1,098,030 from water operations.

#### **D. FINANCIAL ANALYSIS OF FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$23,480,039, a change of \$14,485,108 in comparison to the prior year, as restated. Key elements of this change are as follows:

General fund operating results	\$ 1,056,568
School capital project fund operating results	10,341,696
Community preservation fund operating results	785,696
Receipts reserved for appropriations fund operating results	104,244
Nonmajor funds operating results	<u>2,196,904</u>
Total	<u>\$ 14,485,108</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,640,594, while total fund balance was \$12,038,301. 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 7,640,594	\$ 6,079,124	\$ 1,561,470	11.8%
Total fund balance	\$ 12,038,301	\$ 10,981,733	\$ 1,056,568	18.5%

The total fund balance of the general fund changed by \$1,056,568 during the current fiscal year. Key factors in this change are as follows:

Revenue surplus	\$ 1,485,883
Appropriation turnbacks by departments	515,021
Excess property tax collections	410,946
Current year encumbrances to be spent in the subsequent year over prior year encumbrances to be spent in the current year	138,498
Use of free cash as a funding source	(1,743,490)
Unused budgeted transfers out	177,700
Change in stabilization	72,268
Other	(258)
Total	<u>\$ 1,056,568</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 2,161,880	\$ 2,103,617	\$ 58,263
Capital stabilization	719,406	705,408	13,998
Wind turbine stabilization	<u>66,972</u>	<u>66,965</u>	<u>7</u>
Total	<u>\$ 2,948,258</u>	<u>\$ 2,875,990</u>	<u>\$ 72,268</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$807,067, a change of \$489,102 in comparison to the prior year.

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

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$75,990, which increased school appropriations and was funded from a special education stabilization fund. Additionally, there were budgetary reclassifications which had no impact on the Town's total budget.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$137,179,941 (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:

- \$11,983,532 increase in construction in progress relating to the Center School renovations.
- \$1,438,697 expended for roadway improvements.
- \$1,336,249 increase in construction in progress relating to the Water Treatment Plant renovations.

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 \$51,185,200, 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Finance Director  
Town of Hanover, Massachusetts  
550 Hanover Street  
Hanover, MA 02339

**TOWN OF HANOVER, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

JUNE 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 15,186,271	\$ 2,676,638	\$ 17,862,909
Investments	12,120,176	-	12,120,176
Receivables, net of allowance for uncollectibles:			
Property taxes	621,126	-	621,126
Excises	229,920	-	229,920
User fees	-	1,434,208	1,434,208
Departmental and other	602,909	-	602,909
Intergovernmental	1,278,271	-	1,278,271
Other assets	160,381	-	160,381
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	634,489	-	634,489
Intergovernmental	1,774,957	-	1,774,957
Capital Assets:			
Land and construction in progress	44,157,201	2,814,313	46,971,514
Other assets, net of accumulated depreciation	82,340,304	7,868,123	90,208,427
<b>Deferred Outflows of Resources</b>			
Related to pensions	7,140,176	145,718	7,285,894
Related to OPEB	<u>3,258,393</u>	<u>66,498</u>	<u>3,324,891</u>
Total Assets and Deferred Outflows of Resources	169,504,574	15,005,498	184,510,072
<b>Liabilities</b>			
Current:			
Warrants payable	540,428	214,680	755,108
Accrued liabilities	683,868	14,171	698,039
Notes payable	3,443,121	1,796,000	5,239,121
Other current liabilities	1,147,139	-	1,147,139
Current portion of long-term liabilities:			
Bonds payable	4,571,622	464,744	5,036,366
Other	141,432	4,244	145,676
Noncurrent:			
Bonds payable, net of current portion	46,417,615	2,793,756	49,211,371
Net pension liability	32,644,996	666,224	33,311,220
Net OPEB liability	38,383,537	783,337	39,166,874
Other, net of current portion	2,687,207	80,637	2,767,844
<b>Deferred Inflows of Resources</b>			
Related to pensions	395,526	8,072	403,598
Other	<u>324,076</u>	<u>155,419</u>	<u>479,495</u>
Total Liabilities and Deferred Inflows of Resources	131,380,567	6,981,284	138,361,851
<b>Net Position</b>			
Net investment in capital assets	77,391,710	7,217,147	84,608,857
Restricted for:			
Grants and other statutory restrictions	12,105,303	-	12,105,303
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	255,885	-	255,885
Unrestricted	<u>(51,795,351)</u>	<u>807,067</u>	<u>(50,988,284)</u>
Total Net Position	\$ <u>38,124,007</u>	\$ <u>8,024,214</u>	\$ <u>46,148,221</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

		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>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General government	\$ 3,854,705	\$ 754,578	\$ 537,125	\$ -	\$ (2,563,002)	\$ -	\$ (2,563,002)
Public safety	10,984,901	1,801,046	533,171	-	(8,650,684)	-	(8,650,684)
Education	53,010,671	3,039,883	15,757,194	6,525,229	(27,688,365)	-	(27,688,365)
Public works	4,709,720	166,586	-	1,298,953	(3,244,181)	-	(3,244,181)
Health and human services	1,081,677	98,055	176,473	-	(807,149)	-	(807,149)
Culture and recreation	1,449,169	213,950	74,584	-	(1,160,635)	-	(1,160,635)
Interest	1,767,461	-	-	-	(1,767,461)	-	(1,767,461)
Intergovernmental	661,553	-	-	-	(661,553)	-	(661,553)
Miscellaneous	53,403	-	-	-	(53,403)	-	(53,403)
Total Governmental Activities	77,573,260	6,074,098	17,078,547	7,824,182	(46,596,433)	-	(46,596,433)
<b>Business-Type Activities</b>							
Water services	2,729,164	3,762,463	-	-	-	1,033,299	1,033,299
Total Business-Type Activities	2,729,164	3,762,463	-	-	-	1,033,299	1,033,299
Total	\$ 80,302,424	\$ 9,836,561	\$ 17,078,547	\$ 7,824,182	(46,596,433)	1,033,299	(45,563,134)
<b>General Revenues and Transfers</b>							
Property taxes					46,419,112	-	46,419,112
Excises					3,078,063	-	3,078,063
Penalties, interest and other taxes					265,114	-	265,114
Grants and contributions not restricted to specific programs					3,054,127	-	3,054,127
Investment income					524,319	281	524,600
Miscellaneous					280,026	-	280,026
Transfers, net					(64,450)	64,450	-
Total general revenues and transfers					53,556,311	64,731	53,621,042
Change in Net Position					6,959,878	1,098,030	8,057,908
<b>Net Position</b>							
Beginning of year, as restated					31,164,129	6,926,184	38,090,313
End of year					\$ 38,124,007	\$ 8,024,214	\$ 46,148,221

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

**TOWN OF HANOVER, MASSACHUSETTS**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	School Capital Project Fund	Community Preservation Fund	Receipts Reserved for Appropriation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and short-term investments	\$ 2,549,719	\$ 2,230,276	\$ 4,181,812	\$ 3,112,580	\$ 3,111,884	\$ 15,186,271
Investments	11,246,286	-	-	-	873,890	12,120,176
Receivables:						
Property taxes	1,436,615	-	-	-	-	1,436,615
Excises	276,558	-	-	597	-	277,155
Departmental and other	-	-	10,559	1,619,351	296,764	1,926,674
Intergovernmental	25,947	-	-	-	1,252,324	1,278,271
Due from other funds	10,830	-	-	-	-	10,830
Other assets	-	-	-	-	160,381	160,381
Total Assets	<u>\$ 15,545,955</u>	<u>\$ 2,230,276</u>	<u>\$ 4,192,371</u>	<u>\$ 4,732,528</u>	<u>\$ 5,695,243</u>	<u>\$ 32,396,373</u>
<b>Liabilities</b>						
Warrants payable	\$ 377,349	\$ -	\$ 119	\$ 58,668	\$ 104,292	\$ 540,428
Accrued liabilities	413,882	-	-	-	-	413,882
Due to other funds	-	-	-	-	10,830	10,830
Notes payable	-	2,884,218	-	-	558,903	3,443,121
Other liabilities	1,099,911	-	-	-	-	1,099,911
Total Liabilities	1,891,142	2,884,218	119	58,668	674,025	5,508,172
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	1,616,512	-	10,557	1,619,947	161,146	3,408,162
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	166,460	166,460
Restricted	996,584	1,302,436	-	3,053,913	5,232,102	10,585,035
Committed	1,741,584	-	4,181,695	-	-	5,923,279
Assigned	1,659,539	-	-	-	-	1,659,539
Unassigned	7,640,594	(1,956,378)	-	-	(538,490)	5,145,726
Total Fund Balances	<u>12,038,301</u>	<u>(653,942)</u>	<u>4,181,695</u>	<u>3,053,913</u>	<u>4,860,072</u>	<u>23,480,039</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,545,955</u>	<u>\$ 2,230,276</u>	<u>\$ 4,192,371</u>	<u>\$ 4,732,528</u>	<u>\$ 5,695,243</u>	<u>\$ 32,396,373</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

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

**JUNE 30, 2019**

<b>Total governmental fund balances</b>	<b>\$ 23,480,039</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	126,497,505
Long-term receivables not reported in governmental funds.	1,774,957
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,808,934
Long-term liabilities, including bonds payable, net pension liability, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(115,167,442)
Other	<u>(269,986)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>38,124,007</u></b>

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

**TOWN OF HANOVER, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	School Capital Project Fund	Community Preservation Fund	Receipts Reserved for Appropriation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 45,295,415	\$ -	\$ 1,069,384	\$ -	\$ -	\$ 46,364,799
Excises	3,034,069	-	-	515	21,870	3,056,454
Penalties, interest, and other taxes	264,774	-	-	340	-	265,114
Charges for services	420,360	-	-	1,615,670	3,263,607	5,299,637
Intergovernmental	14,815,036	6,525,228	243,328	-	3,828,645	25,412,237
Licenses and permits	629,428	-	-	-	-	629,428
Fines and forfeitures	101,042	-	-	-	-	101,042
Investment income	438,455	-	-	-	85,864	524,319
Miscellaneous	88,825	-	-	9,229	368,344	466,398
<b>Total Revenues</b>	<b>65,087,404</b>	<b>6,525,228</b>	<b>1,312,712</b>	<b>1,625,754</b>	<b>7,568,330</b>	<b>82,119,428</b>
<b>Expenditures</b>						
Current:						
General government	2,957,057	-	118,808	-	397,574	3,473,439
Public safety	7,986,971	-	-	-	655,723	8,642,694
Education	35,127,048	11,983,532	-	246,510	4,656,024	52,013,114
Public works	3,546,091	-	-	-	1,438,697	4,984,788
Health and human services	625,685	-	-	-	198,611	824,296
Culture and recreation	733,668	-	-	-	221,496	955,164
Employee benefits	7,980,265	-	-	-	-	7,980,265
Miscellaneous	-	-	-	-	53,403	53,403
Debt service	5,346,995	-	408,208	-	-	5,755,203
Intergovernmental	661,553	-	-	-	-	661,553
<b>Total Expenditures</b>	<b>64,965,333</b>	<b>11,983,532</b>	<b>527,016</b>	<b>246,510</b>	<b>7,621,528</b>	<b>85,343,919</b>
Excess (deficiency) of revenues over expenditures	122,071	(5,458,304)	785,696	1,379,244	(53,198)	(3,224,491)
<b>Other Financing Sources (Uses)</b>						
Issuance of bonds	-	14,874,090	-	-	1,711,508	16,585,598
Bond premiums	-	925,910	-	-	262,541	1,188,451
Transfers in	1,313,946	-	-	-	315,000	1,628,946
Transfers out	(379,449)	-	-	(1,275,000)	(38,947)	(1,693,396)
<b>Total Other Financing Sources (Uses)</b>	<b>934,497</b>	<b>15,800,000</b>	<b>-</b>	<b>(1,275,000)</b>	<b>2,250,102</b>	<b>17,709,599</b>
Change in fund balance	1,056,568	10,341,696	785,696	104,244	2,196,904	14,485,108
Fund Balance, at Beginning of Year, as restated	10,981,733	(10,995,638)	3,395,999	2,949,669	2,663,168	8,994,931
Fund Balance, at End of Year	\$ 12,038,301	\$ (653,942)	\$ 4,181,695	\$ 3,053,913	\$ 4,860,072	\$ 23,480,039

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

**TOWN OF HANOVER, MASSACHUSETTS**

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, 2019

<b>Net changes in fund balances - total governmental funds</b>	\$ 14,485,108
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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	14,510,159
Depreciation	(3,616,361)

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

Issuance of debt	(16,585,598)
Repayments of debt	3,813,568
Issuance of bond premium	(1,188,451)
Amortization of bond premium	204,988
Amortization of refunding premium	32,408

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

	142,178
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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.

Net pension liability and related deferred outflows and inflows of resources	(1,805,136)
Net OPEB liability and related deferred outflows and inflows of resources	(1,976,119)
Other	(81,692)
Other differences.	<u>(975,174)</u>

<b>Change in net assets of governmental activities</b>	<b>\$ <u>6,959,878</u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF HANOVER, MASSACHUSETTS**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND OTHER SOURCES,**  
**AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 44,884,469	\$ 44,884,469	\$ 44,884,469	\$ -
Excises	2,358,408	2,358,408	3,034,069	675,661
Penalties, interest, and other taxes	120,000	120,000	264,774	144,774
Charges for services	305,922	305,922	420,360	114,438
Licenses and permits	530,675	530,675	629,428	98,753
Fines and forfeitures	87,163	87,163	101,042	13,879
Intergovernmental	10,222,237	10,222,237	10,426,753	204,516
Investment income	60,000	60,000	366,187	306,187
Miscellaneous	161,150	161,150	88,825	(72,325)
Total Revenues	58,730,024	58,730,024	60,215,907	1,485,883
<b>Expenditures</b>				
General government				
Personal services	279,550	279,550	277,416	2,134
General expense	248,900	248,900	220,750	28,150
Finance department				
Personal services	846,506	846,506	834,128	12,378
General expense	225,541	225,541	219,644	5,897
Police				
Personal services	3,836,820	3,836,820	3,745,174	91,646
General expense	273,151	273,151	268,596	4,555
Fire				
Personal services	2,963,914	2,963,914	2,857,471	106,443
General expense	279,791	279,791	264,344	15,447
Community Resources				
Personal services	1,507,007	1,507,007	1,455,540	51,467
General expense	478,949	478,949	409,052	69,897
Hanover Public Schools				
Operating budget	28,082,846	28,158,836	28,158,836	-
Articles	75,990	75,990	75,990	-
Other education - South Shore Vocational	763,328	763,328	763,328	-
Public works				
Personal services	1,326,862	1,298,862	1,296,012	2,850
General expense	1,461,116	1,489,116	1,479,781	9,335
Articles	278,000	278,000	278,000	-
Facilities				
Personal services	2,030,967	1,954,967	1,954,135	832
General expense	1,586,151	1,682,151	1,637,984	44,167
Articles	494,500	494,500	494,500	-
Snow & Ice				
Personal services	111,750	111,750	121,150	(9,400)
General expense	438,250	418,250	396,472	21,778
Town wide expenses				
General expense	8,175,897	8,133,169	8,044,341	88,828
Articles	215,000	215,000	215,000	-
Debt	5,362,200	5,404,928	5,404,928	-
State assessments	574,624	574,624	606,007	(31,383)
County assessments	55,546	55,546	55,546	-
Total Expenditures	61,973,156	62,049,146	61,534,125	515,021
Excess of revenues over depreciation	(3,243,132)	(3,319,122)	(1,318,218)	2,000,904

(continued)

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<b>Other Financing Sources/Uses</b>				
Transfers in	1,777,342	1,853,332	1,853,332	-
Transfers out	(277,700)	(277,700)	(100,000)	177,700
Use of free cash				
Operating budget	711,500	711,500	711,500	-
Capital budget	741,000	741,000	741,000	-
Transfers to stabilization and trust funds	290,990	290,990	290,990	-
Total Other Financing Sources/Uses	<u>3,243,132</u>	<u>3,319,122</u>	<u>3,496,822</u>	<u>177,700</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,178,604</u>	\$ <u>2,178,604</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Water</u>
	<u>Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 2,676,638
User fees, net of allowance for uncollectibles	<u>1,434,208</u>
Total current assets	4,110,846
Noncurrent:	
Capital Assets:	
Land and construction in progress	2,814,313
Other assets, net of accumulated depreciation	<u>7,868,123</u>
Total noncurrent assets	10,682,436
<b>Deferred Outflows of Resources</b>	
Related to pensions	145,718
Related to OPEB	<u>66,498</u>
Total Assets and Deferred Outflows of Resources	15,005,498
<b>Liabilities</b>	
Current:	
Warrants payable	214,680
Accrued liabilities	14,171
Notes payable	1,796,000
Current portion of long-term liabilities:	
Bonds payable	464,744
Other	<u>4,244</u>
Total current liabilities	2,493,839
Noncurrent:	
Bonds payable, net of current portion	2,793,756
Net pension liability	666,224
Net OPEB liability	783,337
Other, net of current portion	<u>80,637</u>
Total noncurrent liabilities	4,323,954
<b>Deferred Inflows of Resources</b>	
Related to pensions	8,072
Other	<u>155,419</u>
Total Liabilities and Deferred Inflows of Resources	6,981,284
<b>Net Position</b>	
Invested in capital assets, net of related debt	7,217,147
Unrestricted	<u>807,067</u>
Total Net Position	\$ <u>8,024,214</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities <u>Enterprise Funds</u>
	<u>Water Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ 3,693,000
Other	<u>69,463</u>
Total Operating Revenues	3,762,463
<b>Operating Expenses</b>	
Salaries and benefits	823,349
Other operating expenses	1,359,357
Depreciation	<u>457,012</u>
Total Operating Expenses	<u>2,639,718</u>
Operating Income	1,122,745
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	281
Interest expense	<u>(89,446)</u>
Total Nonoperating (Expenses), Net	<u>(89,165)</u>
Income Before Transfers	1,033,580
<b>Transfers</b>	
Transfers in	<u>64,450</u>
Change in Net Position	1,098,030
Net Position at Beginning of Year	<u>6,926,184</u>
Net Position at End of Year	<u><u>\$ 8,024,214</u></u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities
	<u>Enterprise Funds</u>
	Water
	<u>Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 3,627,834
Payments to vendors and employees	<u>(2,837,801)</u>
Net Cash Provided By Operating Activities	790,033
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers in	<u>64,450</u>
Net Cash Provided By Noncapital Financing Activities	64,450
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from issuance of bonds and notes	2,944,200
Acquisition and construction of capital assets	(2,029,752)
Principal payments on bonds	(312,000)
Principal payments on notes	(254,000)
Interest expense	<u>(89,444)</u>
Net Cash Provided By Capital and Related Financing Activities	259,004
<b>Cash Flows From Investing Activities</b>	
Investment income	<u>279</u>
Net Cash Provided By Investing Activities	<u>279</u>
Net Change in Cash and Short-Term Investments	1,113,766
Cash and Short-Term Investments, Beginning of Year	<u>1,562,872</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>2,676,638</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities</b>	
Operating income	\$ 1,122,745
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	457,012
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(134,629)
Deferred outflows - related to pensions	(17,217)
Deferred outflows - related to OPEB	(59,132)
Warrants payable	83,514
Accrued expenses	7,973
Compensated absences	(3,433)
Net pension liability	(688,096)
Net OPEB liability	101,217
Deferred inflows - related to pensions	(58,736)
Deferred inflows - related to OPEB	(1,758)
Deferred inflows - other	<u>(19,427)</u>
Net Cash Provided By Operating Activities	\$ <u><u>790,033</u></u>

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

# TOWN OF HANOVER, MASSACHUSETTS

## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 906,660	\$ 113,243	\$ 939,166
Investments			
Corporate bonds	117,110	-	-
Equity mutual funds	1,449,284	-	-
Federal agency securities	75,159	-	-
Fixed income mutual funds	155,566	-	-
U.S. treasury notes	100,973	-	-
Accounts receivable	-	-	36,048
Total Assets	2,804,752	113,243	975,214
<b>Liabilities</b>			
Accounts payable	-	-	34,477
Escrow deposits	-	-	940,737
Total Liabilities	-	-	\$ 975,214
<b>Net Position</b>			
Restricted for OPEB purposes	2,804,752	-	
Restricted for other purposes	-	113,243	
Total Net Position	\$ 2,804,752	\$ 113,243	

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

**TOWN OF HANOVER, MASSACHUSETTS**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2019

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>
<b>Additions</b>		
Employer contributions	\$ 1,729,648	\$ 10,000
Interest income	<u>43,104</u>	<u>3</u>
Total additions	1,772,752	10,003
<b>Deductions</b>		
Benefit payments to plan members and beneficiaries	1,209,333	-
Other	<u>-</u>	<u>19,000</u>
Total deductions	<u>1,209,333</u>	<u>19,000</u>
Net increase (decrease)	563,419	(8,997)
<b>Net position restricted for pensions and other purposes</b>		
Beginning of year	<u>2,241,333</u>	<u>122,240</u>
End of year	<u><u>\$ 2,804,752</u></u>	<u><u>\$ 113,243</u></u>

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

## TOWN OF HANOVER, MASSACHUSETTS

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

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

##### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### B. Government-wide and Fund Financial Statements

###### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental 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.

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

Government-wide Financial Statements

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

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

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 School Capital Project Fund reports activities related to the High School construction and Sylvester School renovation projects.
- The Community Preservation Fund reports all open space, historic resources, and community housing activities whose costs are principally funded through Community Preservation Act revenues.

- The Receipts Reserved for Appropriations Fund reports all receipts from specific revenue sources that are earmarked for appropriation for specified purposes by statute.

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 nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

- Water Enterprise Fund

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

The Town reports the following fiduciary funds:

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

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, 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. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments." The interest earnings attributable to each fund type are included under investment income.

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

#### *E. Investments*

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

Investments consist of marketable securities, bonds, mutual funds, and certificates of deposit. Investments are carried at fair value, except for certificates of deposit, which are carried at cost.

#### *F. Property Tax Limitations*

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$53,352.

#### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 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. Interest incurred during the construction phase of capital assets of

business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	40 - 50
Vehicles	5 - 15
Office equipment	5 - 10
Computer equipment	5 - 10

#### *H. Compensated Absences*

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

#### *I. Long-Term Obligations*

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

#### *J. Fund Equity*

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

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

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

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

*K. Use of Estimates*

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

**2. Stewardship, Compliance, and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Advisory Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Advisory Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to appropriations as voted. Certain items may exceed the department budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### *B. Budgetary Basis*

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

### *C. Budget/GAAP Reconciliation*

The budgetary data for the general fund 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/other financing sources/uses (GAAP basis)	\$ 65,087,404	\$ 64,965,333	\$ 934,497
Adjust tax revenue to accrual basis	(410,946)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,001,424)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,139,922	-
To record use of free cash	-	-	1,743,490
To reclassify overhead costs	(463,395)	-	463,395
To remove unbudgeted stabilization fund	(72,268)	-	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,924,888)	(3,924,888)	-
Other timing issues and reclassifications	-	355,182	355,440
Budgetary basis	<u>\$ 60,215,907</u>	<u>\$ 61,534,125</u>	<u>\$ 3,496,822</u>

### *D. Deficit Fund Equity*

Certain individual funds reflected deficit balances as of June 30, 2019.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2019, \$5,277,197 of the Town's bank balance of \$19,466,200 was exposed to custodial credit risk as uninsured and/or uncollateralized. \$5,154,725 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

### 4. Investments

#### *Town*

The following is a summary of the Town's investments as of June 30, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 7,170
Corporate bonds	591
Equity mutual funds	2,577
Federal agency securities	1,013
Fixed income mutual funds	313
U.S. Treasury notes	<u>456</u>
Total investments	<u>\$ 12,120</u>

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town's investment policies related to credit risk include placing no limit to the amount of United States Treasury and United States Government Agency obligations. In regards to other investments, the Community will only purchase investment grade securities with a high concentration in securities rated A or better. The Community may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

Presented below (in thousands) is the actual rating as of year-end for each investment type of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA</u>	<u>A</u>	<u>Baa</u>	<u>B</u>	<u>Unrated</u>
Certificates of deposit	\$ 7,170	\$ -	\$ -	\$ -	\$ -	\$ 7,170
Corporate bonds	591	116	128	347	-	-
Fixed income mutual funds	313	288	-	-	25	-
Total	\$ 8,074	\$ 404	\$ 128	\$ 347	\$ 25	\$ 7,170

#### *B. Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's custodial credit risk policy includes reviewing the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

As of June 30, 2019, \$3,589,590 of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Held by</u>
		<u>Counterparty's</u>
Equity mutual funds	\$ 2,577	\$ 2,577
Federal agency securities	1,013	1,013
Total	\$ 3,590	\$ 3,590

#### *C. Concentration of Credit Risk*

The Town of Hanover places no limit on the amount the Town of Hanover may invest in any one issuer. The Town's policies related to concentration of credit risk exposure are to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

The Town had the following investment subject to concentration risk exceeding 5% (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Fidelity Government Cash Reserves	\$ <u>1,730</u>	14%
Total	\$ <u><u>1,730</u></u>	

#### *D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policies include managing the duration of investments as a means of managing the Town's exposure to fair value losses.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		Less Than 1	1-5	6-10
Certificates of deposits	\$ 7,170	\$ 5,432	\$ 1,738	\$ -
Corporate bonds	591	142	344	105
Federal agency securities	1,013	-	1,013	-
Fixed income mutual funds	313	-	297	16
U.S. Treasury notes	<u>456</u>	<u>326</u>	<u>130</u>	<u>-</u>
Total	\$ <u><u>9,543</u></u>	\$ <u><u>5,900</u></u>	\$ <u><u>3,522</u></u>	\$ <u><u>121</u></u>

#### *E. 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's investment policies state that the Town will limit investment in any instrument exposed to foreign currency risk.

#### F. 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, 2019 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate bonds	\$ 591	\$ -	\$ 591	\$ -
Equity mutual funds	2,577	2,577	-	-
Federal agency securities	1,013	-	1,013	-
Fixed income mutual funds	313	-	313	-
U.S. Treasury notes	456	-	456	-
Total	<u>\$ 4,950</u>			

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

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

## 5. Investments - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 117
Equity mutual funds	1,449
Federal agency securities	75
Fixed income mutual funds	156
U.S. Treasury notes	<u>101</u>
Total investments	<u>\$ 1,898</u>

### A. Credit Risk

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The OPEB Trust Fund's investment policies specify that the investment manager will purchase investment grade securities with a high concentration in securities rated A or better at time of purchase. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

Presented below (in thousands) is the actual rating as of year-end for each investment type of the OPEB Trust Fund. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Corporate bonds	\$ 117	\$ -	\$ 41	\$ 76	\$ -
Fixed income mutual funds	<u>156</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>55</u>
Total	<u>\$ 273</u>	<u>\$ 101</u>	<u>\$ 41</u>	<u>\$ 76</u>	<u>\$ 55</u>

#### *B. Custodial Credit Risk*

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

As of June 30, 2019, \$1,742,526 of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty's Trust or Agent</u>
Corporate bonds	\$ 117	\$ 117
Equity mutual funds	1,449	1,449
Federal agency securities	<u>75</u>	<u>75</u>
Total	<u>\$ 1,642</u>	<u>\$ 1,642</u>

#### *C. Concentration of Credit Risk*

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The OPEB Trust Fund's investment policies state that the investment manager will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

The OPEB Trust Fund did not have investments subject to concentration risk exceeding 5% as of June 30, 2019.

#### *D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The OPEB Trust Fund's investment policies include managing the duration of investments as a means of managing the Town's exposure to fair value losses.

Information about the sensitivity of the fair values of the OPEB Trust Fund's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 117	\$ 81	\$ 36
Federal agency securities	75	50	25
Fixed income mutual funds	156	130	26
U.S. Treasury notes	<u>101</u>	<u>101</u>	<u>-</u>
Total	<u>\$ 449</u>	<u>\$ 362</u>	<u>\$ 87</u>

#### *E. 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 OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

#### *F. Fair Value*

The OPEB Trust Fund 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 OPEB Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019 (in thousands):

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investment Type</u>	<u>Amount</u>			
Investments by fair value level:				
Corporate bonds	\$ 117	\$ -	\$ 117	\$ -
Equity mutual funds	1,449	1,449	-	-
Federal agency securities	75	-	75	-
Fixed income mutual funds	156	-	156	-
U.S. Treasury notes	<u>101</u>	-	101	-
Total	<u>\$ 1,898</u>			

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

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

## **6. Property Taxes and Excises Receivables**

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The day after the final tax bill is due, demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2019 consist of the following (in thousands):

	Gross Amount (fund)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 517	\$ (84)	\$ 433	\$ -
Personal property taxes	70	(27)	43	-
Tax liens	705	(71)	-	634
Deferred taxes	<u>145</u>	<u>-</u>	<u>145</u>	<u>-</u>
Total property taxes	<u>\$ 1,437</u>	<u>\$ (182)</u>	<u>\$ 621</u>	<u>\$ 634</u>
Motor vehicle excise	\$ 275	\$ (48)	\$ 227	
Boat excise	1	-	1	
Waterways excise	<u>1</u>	<u>-</u>	<u>1</u>	
Total excises	<u>\$ 277</u>	<u>\$ (48)</u>	<u>\$ 229</u>	

#### 7. User Fee Receivables

Receivables for user charges at June 30, 2019 consist of the following (in thousands):

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water charges and liens	\$ <u>1,520</u>	\$ <u>(86)</u>	\$ <u>1,434</u>
Total	<u>\$ 1,520</u>	<u>\$ (86)</u>	<u>\$ 1,434</u>

#### 8. Departmental and Intergovernmental Receivables

Departmental receivables consist primarily of ambulance receivables of \$1,619,351, which is shown net of an allowance for uncollectible of \$1,322,529 on the Statement of Net Position.

Intergovernmental receivables balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

## 9. Interfund Fund Accounts

### Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,830	\$ -
Nonmajor Trust Funds	-	(10,830)
Total	<u>\$ 10,830</u>	<u>\$ (10,830)</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	\$ 1,313,946	\$ 379,449
Receipts Reserved for Appropriation Fund	-	1,275,000
Nonmajor Funds:		
Trust Funds	315,000	-
Special Revenue Funds	-	38,947
Subtotal Nonmajor Funds	315,000	38,947
<u>Business-Type Funds</u>		
Water Fund	64,450	-
Grand Total	<u>\$ 1,693,396</u>	<u>\$ 1,693,396</u>

Of the transfer into the general fund, \$1,200,000 was transferred from the Ambulance fund for operating expenditures. Of the transfer out of the general fund, \$315,000 was transferred to fund the Sick Leave Trust funds. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 10. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,777	\$ 2	\$ -	\$ 100,779
Machinery, equipment, and furnishings	3,931	337	-	4,268
Vehicles	9,357	434	-	9,791
Infrastructure	<u>31,909</u>	<u>1,527</u>	<u>-</u>	<u>33,436</u>
Total capital assets, being depreciated	145,974	2,300	-	148,274
Less accumulated depreciation for:				
Buildings and improvements	(33,736)	(2,216)	-	(35,952)
Machinery, equipment, and furnishings	(2,631)	(162)	-	(2,793)
Vehicles	(7,817)	(611)	-	(8,428)
Infrastructure	<u>(18,133)</u>	<u>(628)</u>	<u>-</u>	<u>(18,761)</u>
Total accumulated depreciation	<u>(62,317)</u>	<u>(3,617)</u>	<u>-</u>	<u>(65,934)</u>
Total capital assets, being depreciated, net	83,657	(1,317)	-	82,340
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>21,916</u>	<u>12,305</u>	<u>(94)</u>	<u>34,127</u>
Total capital assets, not being depreciated	<u>31,947</u>	<u>12,305</u>	<u>(94)</u>	<u>44,158</u>
Governmental activities capital assets, net	<u>\$ 115,604</u>	<u>\$ 10,988</u>	<u>\$ (94)</u>	<u>\$ 126,498</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,475	\$ -	\$ -	\$ 6,475
Vehicles	422	61	-	483
Infrastructure	<u>12,463</u>	<u>-</u>	<u>-</u>	<u>12,463</u>
Total capital assets, being depreciated	19,360	61	-	19,421
Less accumulated depreciation for:				
Buildings and improvements	(2,524)	(138)	-	(2,662)
Vehicles	(202)	(85)	-	(287)
Infrastructure	<u>(8,369)</u>	<u>(235)</u>	<u>-</u>	<u>(8,604)</u>
Total accumulated depreciation	<u>(11,095)</u>	<u>(458)</u>	<u>-</u>	<u>(11,553)</u>
Total capital assets, being depreciated, net	8,265	(397)	-	7,868
Capital assets, not being depreciated:				
Land	828	-	-	828
Construction in progress	<u>17</u>	<u>1,969</u>	<u>-</u>	<u>1,986</u>
Total capital assets, not being depreciated	<u>845</u>	<u>1,969</u>	<u>-</u>	<u>2,814</u>
Business-type activities capital assets, net	<u>\$ 9,110</u>	<u>\$ 1,572</u>	<u>\$ -</u>	<u>\$ 10,682</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 34
Public safety	537
Education	1,713
Public works	937
Health and human services	101
Culture and recreation	<u>295</u>
Total governmental activities	\$ <u>3,617</u>
Business-Type Activities	
Water	\$ <u>458</u>
Total business-type activities	\$ <u>458</u>

#### 11. Deferred Outflows of Resources

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

#### 12. Warrants and Accounts Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019. Accounts payable represent additional 2019 expenditures paid after July 15, 2019.

#### 13. Notes Payable

The Town had the following notes outstanding at June 30, 2019:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Governmental bond anticipation	2.00%	06/21/19	06/19/20	\$ 3,443,121
Enterprise bond anticipation	3.00%	06/21/19	06/19/20	<u>1,796,000</u>
Total				\$ <u>5,239,121</u>

The following summarizes activity in notes payable during fiscal year 2019:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental	\$ 17,900,221	\$ 3,443,121	\$ (17,900,221)	\$ 3,443,121
Enterprise	625,000	1,796,000	(625,000)	1,796,000
Total	<u>\$ 18,525,221</u>	<u>\$ 5,239,121</u>	<u>\$ (18,525,221)</u>	<u>\$ 5,239,121</u>

#### 14. Long-Term Debt

##### A. General Obligation Bonds

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

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
School reconstruction refunding	05/15/21	4.50%	\$ 2,125,000
Library reconstruction refunding	05/15/21	4.50%	155,000
Stormwater management	08/01/22	3.00%	45,000
General obligation refunding	05/15/29	2.00-4.00%	12,410,700
General obligation loan	06/30/32	2.87%	8,340,000
General obligation loan	09/01/34	3.96%	8,240,000
MWPAT T5-97-1140-A	01/15/35	0.00%	235,200
General purpose	06/30/47	3.00-5.00%	16,585,598
Total Governmental Activities			<u>\$ 48,136,498</u>

<u>Business-Type Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
Alternative Energy	05/15/29	2.00-4.00%	\$ 1,304,300
General purpose	05/15/29	3.00-5.00%	1,309,402
General obligation refunding	06/30/30	2.87%	435,000
Total Business-Type Activities			<u>\$ 3,048,702</u>

## B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,315,998	\$ 1,754,889	\$ 6,070,887
2021	4,244,700	1,600,345	5,845,045
2022	3,149,700	1,428,982	4,578,682
2023	3,204,700	1,284,757	4,489,457
2024	3,249,700	1,146,281	4,395,981
2025 - 2029	15,033,500	3,880,469	18,913,969
2030 - 2034	5,808,500	1,933,281	7,741,781
2035 - 2039	3,339,700	1,148,444	4,488,144
2040 - 2044	3,455,000	667,500	4,122,500
2045 - 2047	<u>2,335,000</u>	<u>141,450</u>	<u>2,476,450</u>
Total	<u>\$ 48,136,498</u>	<u>\$ 14,986,398</u>	<u>\$ 63,122,896</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 453,702	\$ 132,464	\$ 586,166
2021	450,000	115,150	565,150
2022	435,000	95,300	530,300
2023	435,000	76,100	511,100
2024	415,000	57,300	472,300
2025 - 2029	835,000	116,500	951,500
2030	<u>25,000</u>	<u>1,000</u>	<u>26,000</u>
Total	<u>\$ 3,048,702</u>	<u>\$ 593,814</u>	<u>\$ 3,642,516</u>

## C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities (in thousands):

	<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>
<b>Governmental Activities</b>						
Bonds payable	\$ 35,364	\$ 16,586	\$ (3,813)	\$ 48,137	\$ (4,316)	\$ 43,821
Unamortized premium	<u>1,870</u>	<u>1,188</u>	<u>(205)</u>	<u>2,853</u>	<u>(256)</u>	<u>2,597</u>
Subtotal	37,234	17,774	(4,018)	50,990	(4,572)	46,418
Net pension liability	22,795	9,850	-	32,645	-	32,645
Net OPEB liability	33,424	4,960	-	38,384	-	38,384
Other:						
Compensated absences	<u>2,747</u>	<u>218</u>	<u>(137)</u>	<u>2,828</u>	<u>(141)</u>	<u>2,687</u>
Subtotal - other	<u>2,747</u>	<u>218</u>	<u>(137)</u>	<u>2,828</u>	<u>(141)</u>	<u>2,687</u>
Totals	<u>\$ 96,200</u>	<u>\$ 32,802</u>	<u>\$ (4,155)</u>	<u>\$ 124,847</u>	<u>\$ (4,713)</u>	<u>\$ 120,134</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<b>Business-Type Activities</b>						
Bonds payable	\$ 2,051	\$ 1,310	\$ (312)	\$ 3,049	\$ (454)	\$ 2,595
Unamortized premium	-	210	-	210	(11)	199
Subtotal	2,051	1,520	(312)	3,259	(465)	2,794
Net pension liability	1,354	-	(688)	666	-	666
Net OPEB liability	682	101	-	783	-	783
Other:						
Compensated absences	88	4	(7)	85	(4)	81
Subtotal - other	88	4	(7)	85	(4)	81
Totals	<u>\$ 4,175</u>	<u>\$ 1,625</u>	<u>\$ (1,007)</u>	<u>\$ 4,793</u>	<u>\$ (469)</u>	<u>\$ 4,324</u>

**D. Long-Term Debt Supporting Governmental and Business-Type Activities**

General obligation bonds, 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 the enterprise fund.

**15. Deferred Inflows of Resources**

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

**16. 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 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, 2019:

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, stabilization funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at June 30, 2019:

	General Fund	School Capital Project Fund	Community Preservation Fund	Reserved for Appropriation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	-	166,460	166,460
Restricted						
Bonded projects	-	1,302,436	-	-	223,135	1,525,571
Receipts reserved for appropriation	-	-	-	3,053,913	-	3,053,913
Debt service	996,584	-	-	-	-	996,584
Special revenue funds	-	-	-	-	4,753,082	4,753,082
Expendable permanent funds	-	-	-	-	255,885	255,885
Total Restricted	996,584	1,302,436	-	3,053,913	5,232,102	10,585,035
Committed						
Continued appropriations						
General government	59,366	-	-	-	-	59,366
Finance department	18	-	-	-	-	18
Police	4,419	-	-	-	-	4,419
Fire	38,015	-	-	-	-	38,015
Community resources	101,313	-	-	-	-	101,313
Hanover Public Schools	171,675	-	-	-	-	171,675
Facilities	279,679	-	-	-	-	279,679
Public works	300,721	-	-	-	-	300,721
Capital stabilization	719,406	-	-	-	-	719,406
Wind turbine stabilization	66,972	-	-	-	-	66,972
Community preservation	-	-	4,181,695	-	-	4,181,695
Total Committed	1,741,584	-	4,181,695	-	-	5,923,279
Assigned						
Encumbrances						
General government	15	-	-	-	-	15
Finance department	5,423	-	-	-	-	5,423
Police	14,559	-	-	-	-	14,559
Fire	8,846	-	-	-	-	8,846
Community resources	3,470	-	-	-	-	3,470
Hanover Public Schools	58,930	-	-	-	-	58,930
Facilities	44,022	-	-	-	-	44,022
Public works	34,878	-	-	-	-	34,878
Town wide	13,864	-	-	-	-	13,864
Reserved for expenditures	1,475,532	-	-	-	-	1,475,532
Total Assigned	1,659,539	-	-	-	-	1,659,539
Unassigned						
General stabilization fund	2,161,880	-	-	-	-	2,161,880
Capital projects	-	(1,956,378)	-	-	(538,490)	(2,494,868)
Unassigned	5,478,714	-	-	-	-	5,478,714
Total Unassigned	7,640,594	(1,956,378)	-	-	(538,490)	5,145,726
Total Fund Balances	\$ 12,038,301	\$ (653,942)	\$ 4,181,695	\$ 3,053,913	\$ 4,860,072	\$ 23,480,039

## 17. 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 employees' retirement funds.

#### A. *Plan Description*

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Plymouth County Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

##### Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

A retirement allowance consists of 2 parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular

compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions,

including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option (A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

#### Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

#### Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2019 was \$3,293,420, which was equal to its annual required contribution.

#### *B. 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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. 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.

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

At June 30, 2019, the Town reported a liability of \$33,311,220 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 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 December 31, 2018, the Town's proportion was 4.530%.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,334,507. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,394,586	\$ -
Changes of assumptions	687,970	(340,077)
Net difference between projected and actual earnings on pension plan investments	4,203,338	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(63,521)
Total	\$ <u>7,285,894</u>	\$ <u>(403,598)</u>

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

Year ended June 30:

2020	\$ 2,158,601
2021	1,546,881
2022	1,508,261
2023	<u>1,668,553</u>
Total	\$ <u>6,882,296</u>

#### D. Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

COLA	3% of the first \$14,000
Salary increases	3.75% per year, including longevity
Investment rate of return	7.875%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with a scale AA and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of the 2015 actuarial experience study.

#### E. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected nominal rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Asset Allocation</u>	<u>Long-term Expected Nominal Real Rate of Return</u>
Domestic Equity	22.00%	13.20%
International developed equity	14.00%	6.30%
Emerging markets equity	9.00%	8.00%
Global equity	10.00%	9.50%
Domestic fixed income	8.00%	3.40%
Value-added fixed income	11.00%	6.00%
Hedge funds	4.00%	3.10%
Real estate	11.00%	4.10%
Private equity	5.00%	9.20%
Real assets	5.00%	4.60%
Cash	1.00%	0.00%
	<u>100.00%</u>	

*F. Discount Rate*

The discount rate used to measure the total pension liability was 7.875%. 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 contractually required rates, actuarially determined. 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 active and inactive 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.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.875%)</u>	<u>(7.875%)</u>	<u>(8.875%)</u>
\$ 41,075,729	\$ 33,311,220	\$ 266,525,205

*H. Pension Plan Fiduciary Net Position*

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

**18. Massachusetts Teachers' Retirement System (MTRS)**

*A. Plan Description*

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

#### *B. Benefits Provided*

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

#### *C. Contributions*

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

#### *D. Actuarial Assumptions*

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

#### *E. Target Allocations*

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	0.90%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

#### *F. Discount Rate*

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of 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.

#### *G. Sensitivity Analysis*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease to <u>6.35%</u>	Current Discount Rate <u>7.35%</u>	1% Increase to <u>8.35%</u>
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

#### *H. Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

#### *I. Town Proportions*

In fiscal year 2018 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$70,782,899 based on a proportionate share of 0.298520%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$3,924,888 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$7,172,822 as both a revenue and expense in the governmental activities.

## 19. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2010, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

### A. General Information about the OPEB Plan

#### Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Blue Cross Blue Shield, Harvard Pilgrim, and Medex. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

#### 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.

#### Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on budget limitations/authorizations.

### Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	337
Active employees	<u>606</u>
Total	<u><u>943</u></u>

### *B. Investments*

The OPEB trust fund assets consist of corporate bonds, equity mutual funds, federal agency securities, fixed income mutual funds, and U.S. treasury notes.

*Rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 1.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *C. Actuarial Assumptions and Other Inputs*

The net OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.51%, net of OPEB plan investment expense
Municipal bond rate	2.79%
Discount rate	4.25%
Healthcare cost trend rates	5.00%
Participation rate	70% of employees eligible to receive retirement benefit would enroll in the retiree medical and life insurance plans.

Mortality rates were based on the following:

Pre-retirement Mortality – General and Public Safety employees	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB.
Post-retirement Mortality – General and Public Safety employees	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using Scale BB.

Pre-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016.
Post-retirement Mortality – Teachers	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using Scale MP-2016.

#### *D. Target Allocations*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large cap	47.50%	4.80%
Domestic equity - Small/mid cap	5.50%	5.29%
International equity - Developed market	9.25%	5.45%
International equity - Emerging market	2.75%	6.42%
Domestic fixed income	13.00%	2.05%
International fixed income	1.25%	3.00%
Alternatives	7.00%	6.50%
Real estate	4.00%	6.25%
Cash and cash equivalents	9.75%	0.00%
Total	<u>100.00%</u>	

#### *E. Discount Rate*

The discount rate used to measure the net OPEB liability was 4.25%. 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. Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.51% and municipal bond rate of 2.79% (based on the S&P Municipal Bond 20-Year High Grade Index –SAPIHG).

*F. Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 41,971,626
Plan fiduciary net position	<u>2,804,752</u>
Net OPEB liability	<u>\$ 39,166,874</u>

Plan fiduciary net position as a percentage of the total OPEB liability	6.68%
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The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

*G. Changes in the Net OPEB Liability*

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 36,102,487	\$ 2,241,333	\$ 33,861,154
Changes for the year:			
Service cost	1,333,347	-	1,333,347
Interest	1,841,927	-	1,841,927
Contributions - employer	-	1,729,648	(1,729,648)
Net investment income	-	43,104	(43,104)
Changes in assumptions or other inputs	3,903,198	-	3,903,198
Benefit payments	<u>(1,209,333)</u>	<u>(1,209,333)</u>	<u>-</u>
Net Changes	<u>5,869,139</u>	<u>563,419</u>	<u>5,305,720</u>
Balances, end of year	<u>\$ 41,971,626</u>	<u>\$ 2,804,752</u>	<u>\$ 39,166,874</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 5.00% in 2018 to 4.25% in 2019.

*H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

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

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 46,666,092	\$ 39,166,874	\$ 33,306,869

*I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

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

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 26,671,572	\$ 39,166,874	\$ 55,464,577

*J. OPEB Expense and Deferred Outflows of Resources Related to OPEB*

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$1,892,944. At June 30, 2019, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Change in assumptions	\$ 3,295,224
Net difference between projected and actual OPEB investment earnings	<u>29,667</u>
Total	<u>\$ 3,324,891</u>

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

<u>Year Ended June 30:</u>		
2020	\$	609,898
2021		609,898
2022		609,896
2023		631,871
2024		607,974
Thereafter		<u>255,354</u>
Total	\$	<u><u>3,324,891</u></u>

## **20. Subsequent Events**

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. 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 our customers, 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.

## **21. Commitments and Contingencies**

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

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

Encumbrances – At year-end the Town’s general fund has \$184,007 in encumbrances that will be honored in the next fiscal year.

## 22. Beginning Net Position and Fund Balance Restatement

The beginning (July 1, 2018) net position of the Town has been restated as follows:

	Governmental Activities
Government-Wide Financial Statements:	
As previously reported	\$ 30,997,967
To adjust Affordable Housing Trust receivables	<u>166,162</u>
As restated	<u><u>\$ 31,164,129</u></u>
	Nonmajor Governmental Funds
Fund Basis Financial Statements:	
As previously reported	\$ 2,497,006
To adjust Affordable Housing Trust receivables	<u>166,162</u>
As restated	<u><u>\$ 2,663,168</u></u>

## 23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TOWN OF HANOVER, MASSACHUSETTS**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019  
(Unaudited)

Plymouth County 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, 2019	December 31, 2018	4.530%	\$33,311,220	\$ 16,072,154	207.26%	56.11%
June 30, 2018	December 31, 2017	4.491%	\$24,148,907	\$ 15,072,632	160.22%	65.56%
June 30, 2017	December 31, 2016	4.585%	\$29,044,748	\$ 14,492,915	200.41%	58.32%
June 30, 2016	December 31, 2015	4.498%	\$28,530,444	\$ 12,975,337	219.88%	56.80%
June 30, 2015	December 31, 2014	4.498%	\$26,221,911	\$ 12,506,349	209.67%	58.88%

Massachusetts Teachers' 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>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</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, 2019	June 30, 2018	0.298520%	\$ -	\$ 70,782,899	\$ 70,782,899	\$ 20,964,660	-	56.11%
June 30, 2018	June 30, 2017	0.299673%	\$ -	\$ 68,581,371	\$ 68,581,371	\$ 20,349,199	-	54.25%
June 30, 2017	June 30, 2016	0.296800%	\$ -	\$ 66,358,276	\$ 66,358,276	\$ 19,522,480	-	52.73%
June 30, 2016	June 30, 2015	0.295829%	\$ -	\$ 60,614,371	\$ 60,614,371	\$ 18,752,269	-	55.38%
June 30, 2015	June 30, 2014	0.293323%	\$ -	\$ 46,627,648	\$ 46,627,648	\$ 17,985,082	-	61.64%

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

See Independent Auditors' Report.

**TOWN OF HANOVER, MASSACHUSETTS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

JUNE 30, 2019  
(Unaudited)

Plymouth County Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	December 31, 2018	\$ 3,293,420	\$ 3,293,420	\$ -	\$ 16,072,154	20.49%
June 30, 2018	December 31, 2017	\$ 3,069,053	\$ 3,069,053	\$ -	\$ 15,072,632	20.36%
June 30, 2017	December 31, 2016	\$ 2,961,848	\$ 2,961,848	\$ -	\$ 14,492,915	20.44%
June 30, 2016	December 31, 2015	\$ 2,849,033	\$ 2,849,033	\$ -	\$ 12,975,337	21.96%
June 30, 2015	December 31, 2014	\$ 2,637,067	\$ 2,637,067	\$ -	\$ 12,506,349	21.09%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 3,924,888	\$ 3,924,888	\$ -	\$ 20,964,660	18.72%
June 30, 2018	June 30, 2017	\$ 3,702,507	\$ 3,702,507	\$ -	\$ 20,349,199	18.19%
June 30, 2017	June 30, 2016	\$ 3,337,760	\$ 3,337,760	\$ -	\$ 19,522,480	17.10%
June 30, 2016	June 30, 2015	\$ 3,023,169	\$ 3,023,169	\$ -	\$ 18,752,269	16.12%
June 30, 2015	June 30, 2014	\$ 2,749,548	\$ 2,749,548	\$ -	\$ 17,985,082	15.29%

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

See Independent Auditors' Report.

**TOWN OF HANOVER, MASSACHUSETTS**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)**

(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 1,333,347	\$ 1,156,338
Interest on unfunded liability - time value of \$	1,841,927	1,845,453
Changes of assumptions	3,903,198	-
Benefit payments, including refunds of member contributions	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in total OPEB liability	5,869,139	1,843,541
Total OPEB liability - beginning	<u>36,102,487</u>	<u>34,258,946</u>
Total OPEB liability - ending (a)	41,971,626	36,102,487
<b>Plan Fiduciary Net Position*</b>		
Contributions - employer	1,729,648	3,323,994
Net investment income	43,103	75,590
Benefit payments, including refunds of member contributions	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in plan fiduciary net position	563,418	2,241,334
Plan fiduciary net position - beginning	<u>2,241,334</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 39,166,874</u>	<u>\$ 33,861,153</u>

\*May reflect certain rounding and classification differences from page 24.

*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.

See Independent Auditors' Report.

**TOWN OF HANOVER, MASSACHUSETTS**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)**

(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>		
Total OPEB liability	\$ 41,971,626	\$ 36,102,487
Plan fiduciary net position	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability (asset)	<u>\$ 39,166,874</u>	<u>\$ 33,861,153</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.68%	6.21%

	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>		
Actuarially determined contribution	\$ 3,572,462	\$ 3,278,808
Contributions in relation to the actuarially determined contribution	<u>1,729,648</u>	<u>3,323,994</u>
Contribution deficiency (excess)	<u>\$ 1,842,814</u>	<u>\$ (45,186)</u>

	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>		
Annual money weighted rate of return, net of investment expense	1.92%	4.26%

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

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

See Independent Auditors' Report.