



TOWN OF HANOVER, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hanover, Massachusetts

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, 2020, 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 Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hanover, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund and major special revenue funds 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 July 8, 2021 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

Andover, Massachusetts
July 8, 2021

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, 2020.

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 required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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.

Required supplementary information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$36,915,185, a change of \$(1,208,822), and net position in business-type activities was \$8,138,073, a change of \$113,859.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$22,730,000, a change of \$(750,039) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,546,680, a change of \$(93,914) in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION (in thousands)						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 32,472	\$ 32,608	\$ 3,118	\$ 4,111	\$ 35,590	\$ 36,719
Capital assets	<u>125,156</u>	<u>126,498</u>	<u>11,917</u>	<u>10,682</u>	<u>137,073</u>	<u>137,180</u>
Total assets	157,628	159,106	15,035	14,793	172,663	173,899
Deferred outflows of resources	7,112	10,399	125	212	7,237	10,611
Current liabilities	11,299	10,527	3,269	2,494	14,568	13,021
Noncurrent liabilities	<u>114,960</u>	<u>120,134</u>	<u>3,594</u>	<u>4,324</u>	<u>118,554</u>	<u>124,458</u>
Total liabilities of resources	126,259	130,661	6,863	6,818	133,122	137,479
Deferred inflows	1,566	720	159	163	1,725	883
Net investment in capital assets	79,514	77,392	7,409	7,217	86,923	84,609
Restricted	12,647	12,527	-	-	12,647	12,527
Unrestricted	<u>(55,246)</u>	<u>(51,795)</u>	<u>729</u>	<u>807</u>	<u>(54,517)</u>	<u>(50,988)</u>
Total net position	<u>\$ 36,915</u>	<u>\$ 38,124</u>	<u>\$ 8,138</u>	<u>\$ 8,024</u>	<u>\$ 45,053</u>	<u>\$ 46,148</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 \$45,053,258, a change of \$(1,094,963) in comparison to the prior year.

The largest portion of net position, \$86,922,754, 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 \$12,647,138 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 \$(54,516,634) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 5,324	\$ 6,074	\$ 3,860	\$ 3,763	\$ 9,184	\$ 9,837
Operating grants and contributions	19,386	17,079	-	-	19,386	17,079
Capital grants and contributions	452	7,824	-	-	452	7,824
General revenues:						
Property taxes	48,147	46,419	-	-	48,147	46,419
Excises	3,011	3,078	-	-	3,011	3,078
Penalties and interest on taxes	210	265	-	-	210	265
Grants and contributions not restricted to specific programs	3,003	3,054	-	-	3,003	3,054
Investment income	360	525	-	-	360	525
Other	365	280	-	-	365	280
Total revenues	80,258	84,598	3,860	3,763	84,118	88,361

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	4,319	3,855	-	-	4,319	3,855
Public safety	11,217	10,985	-	-	11,217	10,985
Education	56,061	53,010	-	-	56,061	53,010
Public works	5,184	4,710	-	-	5,184	4,710
Human services	981	1,082	-	-	981	1,082
Culture and recreation	1,365	1,449	-	-	1,365	1,449
Interest on long-term debt	1,528	1,767	-	-	1,528	1,767
Intergovernmental	749	662	-	-	749	662
Miscellaneous	-	54	-	-	-	54
Water services	-	-	3,809	2,729	3,809	2,729
Total expenses	<u>81,404</u>	<u>77,574</u>	<u>3,809</u>	<u>2,729</u>	<u>85,213</u>	<u>80,303</u>
Change in net position before transfers	(1,146)	7,024	51	1,034	(1,095)	8,058
Transfers in (out)	<u>(63)</u>	<u>(64)</u>	<u>63</u>	<u>64</u>	<u>-</u>	<u>-</u>
Change in net position	(1,209)	6,960	114	1,098	(1,095)	8,058
Net position - beginning 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>
Net position - end of year	<u>\$ 36,915</u>	<u>\$ 38,124</u>	<u>\$ 8,138</u>	<u>\$ 8,024</u>	<u>\$ 45,053</u>	<u>\$ 46,148</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(1,208,822). Key elements of this change are as follows:

Community preservation fund - operating results	\$ 880,495
Nonmajor governmental funds - operating results	(1,383,135)
Depreciation expense in excess of principal maturities	(41,806)
Change in other post-employment benefits liability and related deferred outflows/inflows	(1,897,861)
Change in net pension liability and related deferred outflows/inflows	(1,480,509)
Non-bonded capital asset acquisitions	2,143,178
Other	<u>570,816</u>
Total	<u>\$ (1,208,822)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$113,859. Key elements of this change result from positive operations.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,546,680, while total fund balance was \$13,801,031. The year end undesignated fund balance was essentially unchanged as positive budgetary results of \$2,063,322 (page 63) were utilized to finance fiscal year 2021.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 7,546,680	\$ 7,640,594	\$ (93,914)	11.9%
Total fund balance	\$ 13,801,031	\$ 13,175,515	\$ 625,516	21.8%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$4,270,995.

The total fund balance of the general fund changed by \$625,516 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,504,531)
Revenue surplus	383,871
Appropriation turnbacks by departments	1,679,451
Current year encumbrances to be spent in the subsequent year over prior year encumbrances to be spent in the current year	135,259
Change in stabilization	171,655
Other	(240,189)
Total	<u><u>\$ 625,516</u></u>

Included in the total general fund balance are the Town's stabilization accounts with the following balances, and the fund balance account in which they are presented:

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization (unassigned)	\$ 2,201,254	\$ 2,161,880	\$ 39,374
Capital stabilization (committed)	728,866	719,406	9,460
Town sick leave trust fund (committed)	602,953	606,700	(3,747)
School sick leave trust fund (committed)	447,077	530,515	(83,438)
Special education stabilization (committed)	210,000	-	210,000
Wind turbine stabilization (committed)	<u>66,979</u>	<u>66,973</u>	<u>6</u>
Total	<u>\$ 4,257,129</u>	<u>\$ 4,085,474</u>	<u>\$ 171,655</u>

Other Major Funds

The School Capital Project Fund reports activities related to the High School construction and Sylvester School renovation projects. The School Capital Project fund balance changed by \$(872,915) as a result of capital expenditures during the year.

State legislation allows Community Preservation Act fund property taxes and state matching funds to finance projects such as preservation of historical buildings. The Community Preservation Act fund balance changed by \$880,495 due primarily to property tax revenues in excess of debt expenditures. The nature of the Community Preservation fund is to accumulate reserves for future acquisitions and preservation of open space, historical and cultural resources, and other allowable purposes under the Community Preservation Act.

Non-Major Governmental Funds

The non-major fund balance changed by \$(1,383,135) primarily from the transfer of \$1,524,539 from the ambulance special revenue fund to the general fund. Of this transfer, \$1,200,000 was to support general fund operations and \$324,539 was for the purchase of an ambulance.

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 \$729,133, a change of \$(77,934) 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.

General Fund Budgetary Highlights

The differences between the original and final amended budgets were a result of budgetary reclassifications, but there was no impact on the overall budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$137,072,536 (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:

- \$1,595,625 expended for Town Hall improvements.
- \$1,246,148 purchase of an aerial vehicle.
- \$1,244,114 increase in construction in progress relating to the Water Treatment Plant renovations.
- \$872,914 increase in construction in progress relating to the Center School 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 \$46,415,500, all of which was backed by the full faith and credit of the Town.

The Town retains a Moody's credit rating of Aa2.

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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 15,802,801	\$ 1,678,690	\$ 17,481,491
Investments	12,406,977	-	12,406,977
Receivables, net of allowance for uncollectibles:			
Property taxes	904,249	-	904,249
Excises	452,707	-	452,707
User fees	-	1,439,750	1,439,750
Departmental and other	509,911	-	509,911
Intergovernmental	622,439	-	622,439
Other assets	<u>144,160</u>	<u>-</u>	<u>144,160</u>
Total Current Assets	30,843,244	3,118,440	33,961,684
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	740,200	-	740,200
Intergovernmental	888,374	-	888,374
Capital Assets:			
Land and construction in progress	10,428,791	2,591,329	13,020,120
Other assets, net of accumulated depreciation	<u>114,727,001</u>	<u>9,325,415</u>	<u>124,052,416</u>
Total Noncurrent Assets	<u>126,784,366</u>	<u>11,916,744</u>	<u>138,701,110</u>
Total Assets	157,627,610	15,035,184	172,662,794
Deferred Outflows of Resources			
Related to pensions	4,271,110	87,165	4,358,275
Related to OPEB	<u>2,841,357</u>	<u>38,369</u>	<u>2,879,726</u>
Total Deferred Outflows of Resources	7,112,467	125,534	7,238,001

(continued)

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

TOWN OF HANOVER, MASSACHUSETTS

Statement of Net Position

June 30, 2020

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants payable	540,439	292,488	832,927
Accrued liabilities	1,543,121	14,394	1,557,515
Notes payable	3,443,121	2,496,000	5,939,121
Other current liabilities	1,138,236	-	1,138,236
Current portion of long-term liabilities:			
Bonds payable	4,488,197	461,042	4,949,239
Compensated absence	146,703	5,287	151,990
Total Current Liabilities	11,299,817	3,269,211	14,569,028
Noncurrent:			
Bonds payable, net of current portion	41,929,719	2,332,714	44,262,433
Net pension liability	30,755,054	627,654	31,382,708
Net OPEB liability	39,487,500	533,227	40,020,727
Compensated absence	2,787,361	100,454	2,887,815
Total Noncurrent Liabilities	114,959,634	3,594,049	118,553,683
Total Liabilities	126,259,451	6,863,260	133,122,711
Deferred Inflows of Resources			
Related to pensions	896,911	18,304	915,215
Related to OPEB	376,862	5,089	381,951
Deferred amount on refunding	291,668	135,992	427,660
Total Deferred Inflows of Resources	1,565,441	159,385	1,724,826
Net Position			
Net investment in capital assets	79,513,814	7,408,940	86,922,754
Restricted for:			
Grants and other statutory restrictions	12,355,422	-	12,355,422
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	125,256	-	125,256
Unrestricted	(55,245,767)	729,133	(54,516,634)
Total Net Position	\$ 36,915,185	\$ 8,138,073	\$ 45,053,258

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

TOWN OF HANOVER, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Governmental Activities					
General government	\$ 4,318,503	\$ 807,040	\$ 356,226	\$ -	\$ (3,155,237)
Public safety	11,217,092	1,641,383	958,952	-	(8,616,757)
Education	56,060,720	2,507,745	17,803,563	1,999	(35,747,413)
Public works	5,183,901	181,110	-	449,589	(4,553,202)
Health and human services	981,243	97,489	230,773	-	(652,981)
Culture and recreation	1,365,385	89,043	36,475	-	(1,239,867)
Interest on long-term debt	1,528,099	-	-	-	(1,528,099)
Intergovernmental	749,114	-	-	-	(749,114)
Total Governmental Activities	81,404,057	5,323,810	19,385,989	451,588	(56,242,670)
Business-Type Activities					
Water services	3,808,543	3,859,611	-	-	51,068
Total Business-Type Activities	3,808,543	3,859,611	-	-	51,068
Total	\$ 85,212,600	\$ 9,183,421	\$ 19,385,989	\$ 451,588	(56,191,602)

(continued)

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

TOWN OF HANOVER, MASSACHUSETTS

Statement of Activities For the Year Ended June 30, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (56,242,670)	\$ 51,068	\$ (56,191,602)
General Revenues and Transfers:			
Property taxes	48,147,324	-	48,147,324
Excise taxes	3,011,484	-	3,011,484
Penalties, interest and other taxes	210,354	-	210,354
Grants and contributions not restricted to specific programs	3,002,711	-	3,002,711
Investment income	321,351	141	321,492
Other	403,274	-	403,274
Transfers	<u>(62,650)</u>	<u>62,650</u>	<u>-</u>
Total General Revenues and Transfers	55,033,848	62,791	55,096,639
Change in Net Position	(1,208,822)	113,859	(1,094,963)
Net Position:			
Beginning of Year	<u>38,124,007</u>	<u>8,024,214</u>	<u>46,148,221</u>
End of Year	<u>\$ 36,915,185</u>	<u>\$ 8,138,073</u>	<u>\$ 45,053,258</u>

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

TOWN OF HANOVER, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 4,171,136	\$ 1,357,361	\$ 5,066,852	\$ 5,207,452	\$ 15,802,801
Investments	11,504,110	-	-	902,867	12,406,977
Receivables:					
Property taxes	1,933,449	-	-	-	1,933,449
Excises	526,600	-	-	1,707	528,307
Departmental and other	-	-	19,754	490,157	509,911
Intergovernmental	-	-	-	622,439	622,439
Due from other funds	80,030	-	-	-	80,030
Other assets	-	-	-	144,160	144,160
Total Assets	\$ <u>18,215,325</u>	\$ <u>1,357,361</u>	\$ <u>5,086,606</u>	\$ <u>7,368,782</u>	\$ <u>32,028,074</u>
Liabilities					
Warrants payable	\$ 262,725	\$ -	\$ 4,663	\$ 273,051	\$ 540,439
Accrued liabilities	553,286	-	-	723,138	1,276,424
Due to other funds	-	-	-	80,030	80,030
Notes payable	-	2,884,218	-	558,903	3,443,121
Other liabilities	1,096,228	-	-	-	1,096,228
Total Liabilities	1,912,239	2,884,218	4,663	1,635,122	6,436,242
Deferred Inflows of Resources					
Unavailable revenues	2,502,055	-	19,753	340,024	2,861,832
Fund Balances					
Nonspendable	-	-	-	166,460	166,460
Restricted	837,949	-	5,062,190	6,672,365	12,572,504
Committed	2,760,117	-	-	-	2,760,117
Assigned	2,656,285	-	-	-	2,656,285
Unassigned	7,546,680	(1,526,857)	-	(1,445,189)	4,574,634
Total Fund Balances	13,801,031	(1,526,857)	5,062,190	5,393,636	22,730,000
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>18,215,325</u>	\$ <u>1,357,361</u>	\$ <u>5,086,606</u>	\$ <u>7,368,782</u>	\$ <u>32,028,074</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, 2020

Total governmental fund balances	\$ 22,730,000
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	125,155,792
<ul style="list-style-type: none">• Long-term receivables not reported in governmental funds.	888,374
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,455,224
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension and OPEB liabilities, including related outflows and inflows, are not due and payable in the current period and, therefore are not reported in the governmental funds.	(114,047,508)
<ul style="list-style-type: none">• Other	<u>(266,697)</u>
Net position of governmental activities	\$ <u><u>36,915,185</u></u>

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, 2020

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 46,469,502	\$ -	\$ 1,109,961	\$ -	\$ 47,579,463
Excises	2,737,718	-	-	50,211	2,787,929
Penalties, interest, and other taxes	209,895	-	-	459	210,354
Charges for services	340,537	-	-	4,326,545	4,667,082
Intergovernmental	15,204,944	-	319,136	3,334,795	18,858,875
Licenses and permits	688,453	-	-	-	688,453
Fines and forfeitures	87,484	-	-	-	87,484
Investment income	283,175	-	-	38,176	321,351
Miscellaneous	280,130	-	-	242,502	522,632
Total Revenues	66,301,838	-	1,429,097	7,992,688	75,723,623
Expenditures					
Current:					
General government	2,918,926	-	153,644	705,572	3,778,142
Public safety	8,584,601	-	-	346,661	8,931,262
Education	36,616,212	872,915	-	4,661,618	42,150,745
Public works	3,486,779	-	-	1,272,170	4,758,949
Health and human services	562,878	-	-	232,521	795,399
Culture and recreation	642,371	-	-	247,258	889,629
Employee benefits	8,207,013	-	-	-	8,207,013
Miscellaneous	-	-	-	15,641	15,641
Debt service:					
Principal	3,995,798	-	320,200	-	4,315,998
Interest	1,744,362	-	74,758	-	1,819,120
Intergovernmental	749,114	-	-	-	749,114
Total Expenditures	67,508,054	872,915	548,602	7,481,441	76,411,012
Excess (deficiency) of revenues over expenditures	(1,206,216)	(872,915)	880,495	511,247	(687,389)
Other Financing Sources (Uses)					
Transfers in	1,944,382	-	-	-	1,944,382
Transfers out	(112,650)	-	-	(1,894,382)	(2,007,032)
Total Other Financing Sources (Uses)	1,831,732	-	-	(1,894,382)	(62,650)
Change in fund balance	625,516	(872,915)	880,495	(1,383,135)	(750,039)
Fund Balance, at Beginning of Year, as reclassified	13,175,515	(653,942)	4,181,695	6,776,771	23,480,039
Fund Balance, at End of Year	\$ 13,801,031	\$ (1,526,857)	\$ 5,062,190	\$ 5,393,636	\$ 22,730,000

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, 2020

Net changes in fund balances - total governmental funds	\$ (750,039)
<ul style="list-style-type: none">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	3,016,092
Depreciation	(4,357,804)
<ul style="list-style-type: none">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:	
Repayments of debt	4,315,998
Amortization of bond premium	255,325
Amortization of deferred amount on refunding	32,408
<ul style="list-style-type: none">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 unavailable revenue.	
	(541,140)
<ul style="list-style-type: none">Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in pension expense from GASB 68	(1,480,509)
Change in OPEB expense from GASB 75	(1,897,861)
<ul style="list-style-type: none">Other differences.	<u>198,708</u>
Change in net assets of governmental activities	\$ <u>(1,208,822)</u>

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

TOWN OF HANOVER, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	<u>Enterprise Funds</u>
	<u>Water</u> <u>Fund</u>
Assets	
Current:	
Cash and short-term investments	\$ 1,678,690
User fees, net of allowance for uncollectibles	<u>1,439,750</u>
Total current assets	3,118,440
Noncurrent:	
Capital Assets:	
Land and construction in progress	2,591,329
Other assets, net of accumulated depreciation	<u>9,325,415</u>
Total noncurrent assets	<u>11,916,744</u>
Total Assets	15,035,184
Deferred Outflows of Resources	
Related to pensions	87,165
Related to OPEB	<u>38,369</u>
Total Deferred Outflows of Resources	125,534
Liabilities	
Current:	
Warrants payable	292,488
Accrued liabilities	14,394
Notes payable	2,496,000
Current portion of long-term liabilities:	
Bonds payable	461,042
Compensated absences	<u>5,287</u>
Total current liabilities	3,269,211
Noncurrent:	
Bonds payable, net of current portion	2,332,714
Net pension liability	627,654
Net OPEB liability	533,227
Compensated absences	<u>100,454</u>
Total noncurrent liabilities	<u>3,594,049</u>
Total Liabilities	6,863,260
Deferred Inflows of Resources	
Related to pensions	18,304
Related to OPEB	5,089
Deferred amount on refunding	<u>135,992</u>
Total Deferred Inflows of Resources	159,385
Net Position	
Invested in capital assets, net of related debt	7,408,940
Unrestricted	<u>729,133</u>
Total Net Position	<u>\$ 8,138,073</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, 2020

	<u>Enterprise Funds</u>
	<u>Water Fund</u>
Operating Revenues	
Charges for services	\$ 3,753,331
Other	106,280
Total Operating Revenues	<u>3,859,611</u>
Operating Expenses	
Salaries and benefits	1,424,928
Other operating expenses	1,773,837
Depreciation	471,840
Total Operating Expenses	<u>3,670,605</u>
Operating Income	189,006
Nonoperating Revenues (Expenses)	
Investment income	141
Interest expense	(137,938)
Total Nonoperating (Expenses), Net	<u>(137,797)</u>
Income Before Transfers	51,209
Transfers in	<u>62,650</u>
Change in Net Position	113,859
Net Position at Beginning of Year	<u>8,024,214</u>
Net Position at End of Year	<u><u>\$ 8,138,073</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, 2020

	<u>Enterprise Funds</u>
	<u>Water Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,854,069
Payments to vendors and employees	<u>(3,286,551)</u>
Net Cash Provided By Operating Activities	567,518
 Cash Flows From Noncapital Financing Activities	
Transfers in	<u>62,650</u>
Net Cash Provided By Noncapital Financing Activities	62,650
 Cash Flows From Capital and Related Financing Activities	
Proceeds from issuance of note	700,000
Acquisition and construction of capital assets	(1,706,148)
Principal payments on bonds	(453,702)
Interest expense	(157,365)
Other nonoperating income	<u>(11,042)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,628,257)
 Cash Flows From Investing Activities	
Investment income	<u>141</u>
Net Cash Provided By Investing Activities	<u>141</u>
Net Change in Cash and Short-Term Investments	(997,948)
Cash and Short-Term Investments, Beginning of Year	<u>2,676,638</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>1,678,690</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 189,006
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	471,840
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(5,542)
Deferred outflows - related to pensions	58,553
Deferred outflows - related to OPEB	28,129
Warrants payable	77,808
Accrued expenses	223
Compensated absences	20,860
Net pension liability	(38,570)
Net OPEB liability	(250,110)
Deferred inflows - related to pensions	10,232
Deferred inflows - related to OPEB	<u>5,089</u>
Net Cash Provided By Operating Activities	\$ <u><u>567,518</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, 2020

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ 163,120	\$ 105,756	\$ 898,245
Investments			
Corporate bonds	121,954	-	-
Corporate equities	1,479,331	-	-
Equity mutual funds	1,094,882	-	-
Fixed income mutual funds	343,845		
Municipal bonds	26,521		
Federal agency securities	124,003	-	-
U.S. treasury notes	<u>121,156</u>	<u>-</u>	<u>-</u>
Total Investments	3,311,692	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>141,809</u>
Total Assets	<u>\$ 3,474,812</u>	<u>\$ 105,756</u>	<u>\$ 1,040,054</u>
Liabilities			
Accounts payable	-	-	63,209
Escrow deposits	<u>-</u>	<u>-</u>	<u>976,845</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,054</u>
Net Position			
Restricted for OPEB purposes	3,474,812	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>105,756</u>	
Total Net Position	<u>\$ 3,474,812</u>	<u>\$ 105,756</u>	

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, 2020

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>
Additions		
Employer contributions	\$ 1,894,607	\$ 10,000
Interest income	<u>210,290</u>	<u>13</u>
Total additions	2,104,897	10,013
Deductions		
Benefit payments to plan members and beneficiaries	1,434,837	-
Other	<u>-</u>	<u>17,500</u>
Total deductions	<u>1,434,837</u>	<u>17,500</u>
Net increase (decrease)	670,060	(7,487)
Net position restricted for pensions and other purposes		
Beginning of year	<u>2,804,752</u>	<u>113,243</u>
End of year	<u>\$ 3,474,812</u>	<u>\$ 105,756</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:

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 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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 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.

Cash and Investments

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

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

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

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

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 2020 tax levy reflected an excess capacity of \$193,002. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

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

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

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

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

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

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.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

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.

3. Deposits and Investments

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44,

Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

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, 2020, \$127,256 of the Town's bank balance of \$19,047,833 was exposed to custodial credit risk as uninsured and/or uncollateralized. \$5,241,375 of the Town's bank balance is on deposit with the Massachusetts Municipal Depository Trust, which is not subject to custodial credit risk disclosure.

Investment Summary

The following is a summary of the Town's investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 3,377
Corporate bonds	967
Fixed income mutual funds	198
Equity mutual funds	6,782
Federal agency securities	507
U.S. Treasury notes	<u>576</u>
Total investments	<u>\$ 12,407</u>

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in 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, 2020, \$902,867 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>	Held by Counterparty's <u>Trust or Agent</u>
Corporate bonds	\$ 967	\$ 967
Federal agency securities	507	507
U.S. Treasury notes	<u>576</u>	<u>576</u>
Total	<u>\$ 2,050</u>	<u>\$ 2,050</u>

Credit Risk – Investment of Debt Securities

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 regard 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.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, Inc, of the Town's debt securities are as follows (in thousands) (All U.S Treasury notes 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>A1-2</u>	<u>Baa1-2</u>	<u>Unrated</u>
Corporate bonds	\$ 967	\$ 118	\$ 533	\$ 316	\$ -
Fixed income mutual funds	198	-	-	-	198
Federal agency securities	<u>507</u>	<u>507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,672</u>	<u>\$ 625</u>	<u>\$ 533</u>	<u>\$ 316</u>	<u>\$ 198</u>

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town 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.

As of June 30, 2020, the Town does not have any investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

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 <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 967	\$ 345	\$ 622	\$ -
Fixed income mutual funds	198	-	89	109
Federal agency securities	507	-	447	60
U.S. Treasury notes	<u>576</u>	<u>272</u>	<u>304</u>	<u>-</u>
Total	\$ <u>2,248</u>	\$ <u>617</u>	\$ <u>1,462</u>	\$ <u>169</u>

Foreign Currency Risk - Investments

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.

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, 2020 (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	\$ 967	\$ -	\$ 967	\$ -
Fixed income mutual funds	198	198	-	-
Equity mutual funds	6,782	6,782	-	-
Federal agency securities	507	-	507	-
U.S. Treasury notes	<u>576</u>	576	-	-
Total	<u>\$ 9,030</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.

4. Investments – OPEB Trust Fund

Generally, the Town’s OPEB investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 122
Corporate equities	1,479
Equity mutual funds	1,095
Fixed income mutual funds	344
Municipal bonds	27
Federal agency securities	124
U.S. Treasury notes	<u>121</u>
Total investments	<u>\$ 3,312</u>

Custodial Credit Risk – Investments

As of June 30, 2020, none 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.

Credit Risk – Investments of Debt Securities

Presented below (in thousands) is the actual ratings, as rated by Moody’s Investors Service, Inc., as of year-end for debt-related investments of the OPEB Trust Fund. (All U.S. Treasury notes 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>Aa1-2</u>	<u>A2</u>	<u>Unrated</u>
Corporate bonds	\$ 122	\$ -	\$ 44	\$ 78	\$ -
Fixed income mutual funds	344	-	-	-	344
Federal agency securities	<u>124</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 590</u>	<u>\$ 124</u>	<u>\$ 44</u>	<u>\$ 78</u>	<u>\$ 344</u>

Concentration of Credit Risk

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, 2020.

Interest Rate Risk

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</u> <u>(in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Corporate bonds	\$ 122	\$ 122	\$ -	\$ -
Fixed income mutual funds	344	187	105	52
Municipal bonds	27	27	-	-
Federal agency securities	124	73	51	-
U.S. Treasury notes	<u>121</u>	<u>121</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 738</u>	<u>\$ 530</u>	<u>\$ 156</u>	<u>\$ 52</u>

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020 (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	\$ 122	\$ -	\$ 122	\$ -
Corporate equities	1,479	-	1,479	-
Equity mutual funds	1,095	1,095	-	-
Fixed income mutual funds	344	-	344	-
Municipal bonds	27	-	27	-
Federal agency securities	124	-	124	-
U.S. Treasury notes	<u>121</u>	<u>121</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,312</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. Property Taxes and Excises Receivables

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year's levy plus the taxes on property newly added to the tax rolls.

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, 2020 consist of the following (in thousands):

	Gross Amount <u>(fund</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 899	\$ (183)	\$ 716	\$ -
Personal property taxes	84	(24)	60	-
Tax liens	822	(82)	-	740
Deferred taxes	<u>128</u>	<u>-</u>	<u>128</u>	<u>-</u>
Total property taxes	<u>\$ 1,933</u>	<u>\$ (289)</u>	<u>\$ 904</u>	<u>\$ 740</u>
Motor vehicle excise	\$ 525	\$ (75)	\$ 450	
Boat excise	2	-	2	
Waterways excise	<u>1</u>	<u>-</u>	<u>1</u>	
Total excises	<u>\$ 528</u>	<u>\$ (75)</u>	<u>\$ 453</u>	

6. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following (in thousands):

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Water charges and liens	\$ 1,510	\$ (70)	\$ 1,440

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

8. Interfund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The 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	\$ 80,030	\$ -
Nonmajor Funds	<u>-</u>	<u>80,030</u>
Total	<u>\$ 80,030</u>	<u>\$ 80,030</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	\$ 1,944,382	\$ 112,650
Nonmajor Funds:		
Special Revenue Funds	<u>-</u>	<u>1,894,382</u>
Subtotal Nonmajor Funds	-	1,894,382
<u>Business-Type Funds</u>		
Water Fund	<u>62,650</u>	<u>-</u>
Grand Total	<u>\$ 2,007,032</u>	<u>\$ 2,007,032</u>

Of the transfer into the general fund, \$1,524,539 was transferred from the Ambulance fund (\$1,200,000 annual transfer for general fund operations and \$324,539 for capital purchases) and \$231,087 from the Sale of Real Estate fund for operating expenditures. The ambulance fund generates approximately \$1.2 million in revenue annually. Of the transfer out of the general fund, \$62,650 was transferred to the Water fund for debt service. 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.

9. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 100,779	\$ 33,497	\$ -	\$ 134,276
Machinery, equipment, and furnishings	4,268	95	-	4,363
Vehicles	9,791	2,405	-	12,196
Infrastructure	<u>33,436</u>	<u>748</u>	<u>-</u>	<u>34,184</u>
Total capital assets, being depreciated	148,274	36,745	-	185,019
Less accumulated depreciation for:				
Buildings and improvements	(35,952)	(2,713)	-	(38,665)
Machinery, equipment, and furnishings	(2,793)	(183)	-	(2,976)
Vehicles	(8,428)	(810)	-	(9,238)
Infrastructure	<u>(18,761)</u>	<u>(652)</u>	<u>-</u>	<u>(19,413)</u>
Total accumulated depreciation	<u>(65,934)</u>	<u>(4,358)</u>	<u>-</u>	<u>(70,292)</u>
Total capital assets, being depreciated, net	82,340	32,387	-	114,727
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>34,127</u>	<u>58</u>	<u>(33,787)</u>	<u>398</u>
Total capital assets, not being depreciated	<u>44,158</u>	<u>58</u>	<u>(33,787)</u>	<u>10,429</u>
Governmental activities capital assets, net	<u>\$ 126,498</u>	<u>\$ 32,445</u>	<u>\$ (33,787)</u>	<u>\$ 125,156</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,475	\$ 1,519	\$ -	\$ 7,994
Vehicles	483	-	-	483
Infrastructure	<u>12,463</u>	<u>410</u>	<u>-</u>	<u>12,873</u>
Total capital assets, being depreciated	19,421	1,929	-	21,350
Less accumulated depreciation for:				
Buildings and improvements	(2,662)	(184)	-	(2,846)
Vehicles	(287)	(84)	-	(371)
Infrastructure	<u>(8,604)</u>	<u>(203)</u>	<u>-</u>	<u>(8,807)</u>
Total accumulated depreciation	<u>(11,553)</u>	<u>(471)</u>	<u>-</u>	<u>(12,024)</u>
Total capital assets, being depreciated, net	7,868	1,458	-	9,326
Capital assets, not being depreciated:				
Land	828	-	-	828
Construction in progress	<u>1,986</u>	<u>1,244</u>	<u>(1,467)</u>	<u>1,763</u>
Total capital assets, not being depreciated	<u>2,814</u>	<u>1,244</u>	<u>(1,467)</u>	<u>2,591</u>
Business-type activities capital assets, net	<u>\$ 10,682</u>	<u>\$ 2,702</u>	<u>\$ (1,467)</u>	<u>\$ 11,917</u>

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

Governmental Activities	
General government	\$ 78
Public safety	728
Education	2,192
Public works	969
Health and human services	96
Culture and recreation	<u>295</u>
Total governmental activities	<u>\$ 4,358</u>
Business-Type Activities	
Water	\$ 471

10. Deferred Outflows of Resources

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

11. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020. Accounts payable represent additional 2020 expenditures paid after July 15, 2020.

12. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Center School Renovations	2.00%	05/28/20	02/25/21	\$ 2,884,218
Fire Engine Refurbishment	2.00%	05/28/20	02/25/21	220,000
Aerial Ladder Replacement	2.00%	05/28/20	02/25/21	325,000
Cedar School Roof	2.00%	05/28/20	02/25/21	13,903
Water Maines	2.00%	05/28/20	02/25/21	366,000
Water Treatment Plants	2.00%	05/28/20	02/25/21	1,930,000
Water Treatment Plant Generator	2.00%	05/28/20	02/25/21	200,000
Total				<u>\$ 5,939,121</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental	\$ 3,443,121	\$ 3,443,121	\$ (3,443,121)	\$ 3,443,121
Enterprise	<u>1,796,000</u>	<u>2,496,000</u>	<u>(1,796,000)</u>	<u>2,496,000</u>
Total	<u>\$ 5,239,121</u>	<u>\$ 5,939,121</u>	<u>\$ (5,239,121)</u>	<u>\$ 5,939,121</u>

14. Long-Term Debt

General Obligation Bonds and Loans

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

<u>Governmental Activities</u>				Amount Outstanding as of 6/30/20
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
School reconstruction refunding	\$ 9,702,100	05/15/21	4.50%	\$ 1,080,000
Library reconstruction refunding	1,160,000	05/15/21	4.50%	50,000
General obligation refunding	12,573,700	06/03/29	2.00-4.00%	11,280,000
General obligation loan	14,885,000	06/30/32	2.87%	7,440,000
General obligation loan	10,810,000	09/01/34	3.96%	7,600,000
General purpose	16,585,598	05/15/47	3.00-5.00%	16,115,000
Total general obligation bonds				43,565,000
<u>Loans - Direct Borrowings:</u>				
Stormwater management	\$ 189,825	08/01/22	3.00%	\$ 35,000
MWPAT 15-97-1140-A	294,000	01/15/35	0.00%	220,500
Total loans - direct borrowings				255,500
Total governmental activities				\$ 43,820,500
<u>Business-Type Activities</u>				Amount Outstanding as of 6/30/20
<u>General Obligation Bonds</u>	<u>Serial Maturities Through</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
Alternative Energy	\$ 750,000	05/19/29	2.87%	\$ 390,000
General obligation	1,309,402	05/15/29	3.00-5.00%	1,165,000
General obligation refunding	2,101,300	06/30/30	2.00-4.00%	1,040,000
Total business-type activities				\$ 2,595,000

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Bonds- Public Offerings</u>		<u>Loans- Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 4,220,000	\$ 1,754,889	\$ 24,700	\$ 1,263
2022	3,125,000	1,600,345	24,700	1,000
2023	3,175,000	1,428,982	29,700	375
2024	3,235,000	1,284,757	14,700	-
2025	3,175,000	1,146,281	14,700	-
2026 - 2030	13,100,000	3,880,469	73,500	-
2031 - 2035	5,320,000	1,933,281	73,500	-
2036 - 2040	3,075,000	1,148,444	-	-
2041 - 2045	3,560,000	667,500	-	-
2046 - 2047	1,580,000	141,450	-	-
Total	<u>\$ 43,565,000</u>	<u>\$ 14,986,398</u>	<u>\$ 255,500</u>	<u>\$ 2,638</u>

<u>Business-Type</u>	<u>Bonds- Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 450,000	\$ 115,150
2022	435,000	95,300
2023	435,000	76,100
2024	415,000	57,300
2025	185,000	39,750
2026 - 2030	675,000	77,800
Total	<u>\$ 2,595,000</u>	<u>\$ 461,400</u>

Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable:						
Public offerings	\$ 47,857	\$ -	\$ (4,292)	\$ 43,565	\$ (4,220)	\$ 39,345
Loans payable (direct borrowings)	280	-	(25)	255	(25)	230
Unamortized premium	2,853	-	(255)	2,598	(243)	2,355
Subtotal	50,990	-	(4,572)	46,418	(4,488)	41,930
Net pension liability	32,645	-	(1,890)	30,755	-	30,755
Net OPEB liability	38,384	1,104	-	39,488	-	39,488
Compensated absences	2,828	247	(141)	2,934	(147)	2,787
Totals	<u>\$ 124,847</u>	<u>\$ 1,351</u>	<u>\$ (6,603)</u>	<u>\$ 119,595</u>	<u>\$ (4,635)</u>	<u>\$ 114,960</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 3,049	\$ -	\$ (454)	\$ 2,595	\$ (450)	\$ 2,145
Unamortized premium	210	-	(11)	199	(11)	188
Subtotal	3,259	-	(465)	2,794	(461)	2,333
Net pension liability	666	-	(38)	628	-	628
Net OPEB liability	783	-	(250)	533	-	533
Compensated absences	85	24	(4)	105	(5)	100
Totals	<u>\$ 4,793</u>	<u>\$ 24</u>	<u>\$ (757)</u>	<u>\$ 4,060</u>	<u>\$ (466)</u>	<u>\$ 3,594</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in the enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and 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, 2020:

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, special purpose stabilization funds, and various special revenue funds.

Assigned

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

Unassigned

Represents amounts that are available to be spent in future periods and general stabilization fund and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2020:

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	166,460	166,460
Restricted					
Bonded projects	-	-	-	208,250	208,250
Debt service	837,949	-	-	-	837,949
Special revenue funds:					
Community preservation	-	-	5,062,190	-	5,062,190
Receipts reserved for appropriation	-	-	-	2,652,442	2,652,442
Town revolving funds	-	-	-	521,271	521,271
School revolving funds	-	-	-	229,984	229,984
Other special revenue funds	-	-	-	1,026,795	1,026,795
Expendable trust funds:					
Affordable housing trust fund	-	-	-	965,487	965,487
John Curtis library trust fund	-	-	-	902,866	902,866
Building insurance trust fund	-	-	-	40,014	40,014
Expendable permanent funds	-	-	-	125,256	125,256
Total Restricted	837,949	-	5,062,190	6,672,365	12,572,504
Committed					
Continued appropriations:					
General government	262,471	-	-	-	262,471
Public safety	54,984	-	-	-	54,984
Hanover Public Schools	767	-	-	-	767
Public works	385,137	-	-	-	385,137
Culture and recreation	883	-	-	-	883
Capital stabilization*	728,866	-	-	-	728,866
Town sick leave trust fund*	602,953	-	-	-	602,953
School sick leave trust fund*	447,077	-	-	-	447,077
Special education stabilization*	210,000	-	-	-	210,000
Wind turbine stabilization*	66,979	-	-	-	66,979
Total Committed	2,760,117	-	-	-	2,760,117
Assigned					
Encumbrances:					
General government	63,740	-	-	-	63,740
Public safety	4,290	-	-	-	4,290
Hanover Public Schools	202,952	-	-	-	202,952
Public works	86,836	-	-	-	86,836
Culture and recreation	1,630	-	-	-	1,630
Employee benefits	198,899	-	-	-	198,899
Reserved for expenditures	2,097,938	-	-	-	2,097,938
Total Assigned	2,656,285	-	-	-	2,656,285
Unassigned					
General stabilization fund	2,201,254	-	-	-	2,201,254
Special revenue funds	-	-	-	(95,656)	(95,656)
Capital projects	-	(1,526,857)	-	(1,349,533)	(2,876,390)
Unassigned	5,345,426	-	-	-	5,345,426
Total Unassigned	7,546,680	(1,526,857)	-	(1,445,189)	4,574,634
Total Fund Balances	\$ 13,801,031	\$ (1,526,857)	\$ 5,062,190	\$ 5,393,636	\$ 22,730,000

* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

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.

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, 2020 was \$3,293,420, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

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

At June 30, 2020, the Town reported a liability of \$31,382,708 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2019, the Town's proportion was 4.599%, which was an increase of 0.069% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$4,905,383. 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	\$ 3,554,726	\$ -
Changes of assumptions	489,484	(102,016)
Net difference between projected and actual earnings on pension plan investments	-	(658,811)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>314,065</u>	<u>(154,388)</u>
Total	<u>\$ 4,358,275</u>	<u>\$ (915,215)</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:

2021	\$ 1,335,737
2022	1,296,113
2023	1,458,392
2024	<u>(647,182)</u>
Total	<u>\$ 3,443,060</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020 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, 2020 valuation were based on the results of the 2015 actuarial experience study.

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, 2020 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	26.00%	7.40%
International developed equity	6.00%	7.90%
Emerging markets equity	10.00%	9.10%
Global equity	10.00%	7.80%
Core bonds	9.00%	3.00%
Value-added fixed income	6.00%	4.90%
Hedge funds	4.00%	4.00%
Real estate	10.00%	7.50%
Private equity	13.00%	9.40%
Real assets	6.00%	7.50%
	<u>100.00%</u>	

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.

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:

	Current Discount Rate	
1% Decrease <u>(6.875%)</u>	<u>(7.875%)</u>	1% Increase <u>(8.875%)</u>
\$ 39,747,776	\$ 31,382,708	\$ 27,096,541

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)***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.

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.

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 to 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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 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, updated to reflect post-retirement mortality through January 1, 2017.
- 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).

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, 2019 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%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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.

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 <u>to 6.35%</u>	Current Discount <u>Rate 7.35%</u>	1% Increase <u>to 8.35%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

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.

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$74,591,816 based on a proportionate share of 0.295835%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$4,270,995 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$9,045,552 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 a single employer OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

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, 2020.

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	339
Active employees	<u>668</u>
Total	<u><u>1,007</u></u>

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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 7.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.44%, net of OPEB plan investment expense
Municipal bond rate	2.66%
Discount rate	4.75%
Healthcare cost trend rates	4.50%
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-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Post-retirement Mortality – General and Public Safety employees	RP-20 14 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Pre-retirement Mortality – Teachers	RP-20 14 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-retirement Mortality – Teachers	RP-20 14 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

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, 2020 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	20.00%	4.80%
Domestic equity - Small/mid cap	10.00%	5.29%
International equity - Developed market	15.00%	5.45%
International equity - Emerging market	10.00%	6.42%
Domestic fixed income	30.00%	2.05%
International fixed income	10.00%	3.00%
Alternatives	5.00%	6.50%
Real estate	0.00%	6.25%
Cash and cash equivalents	0.00%	0.00%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town's policy is to contribute amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 4.75%. 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 6.44% and municipal bond rate of 2.66% (based on the S&P Municipal Bond 20-Year High Grade Index –SAPIHG).

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 43,495,539
Plan fiduciary net position	<u>3,474,812</u>
Net OPEB liability	<u>\$ 40,020,727</u>

Plan fiduciary net position as a percentage of the total OPEB liability	7.99%
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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.

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 41,971,626	\$ 2,804,752	\$ 39,166,874
Changes for the year:			
Service cost	1,395,101	-	1,395,101
Interest	1,812,913	-	1,812,913
Contributions - employer	-	1,894,607	(1,894,607)
Net investment income	-	210,290	(210,290)
Differences between expected and actual experience	214,827	-	214,827
Changes in assumptions or other inputs	(464,091)	-	(464,091)
Benefit payments	<u>(1,434,837)</u>	<u>(1,434,837)</u>	<u>-</u>
Net Changes	<u>1,523,913</u>	<u>670,060</u>	<u>853,853</u>
Balances, end of year	<u>\$ 43,495,539</u>	<u>\$ 3,474,812</u>	<u>\$ 40,020,727</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.25% in 2019 to 4.75% in 2020.

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:

1% Decrease	Current Discount Rate	1% Increase
\$ 46,625,331	\$ 40,020,727	\$ 34,634,537

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% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 33,922,124	\$ 40,020,727	\$ 47,671,947

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$1,680,969. At June 30, 2020, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 176,805	\$ -
Change in assumptions	2,687,250	(381,951)
Net difference between projected and actual OPEB investment earnings	<u>15,671</u>	<u>-</u>
Total	<u>\$ 2,879,726</u>	<u>\$ (381,951)</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>	
2021	\$ 562,762
2022	562,760
2023	584,735
2024	560,838
2025	<u>226,680</u>
Total	<u>\$ 2,497,775</u>

20. Subsequent Events

Management has evaluated subsequent events through July 8, 2021, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2020, the Town of Hanover has incurred the following additional debt:

		<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$	1,581,783	1.00%	02/24/21	02/24/22
General obligation bond	\$	4,790,000	1.15-4.00%	02/03/21	12/01/40

21. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on 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.

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 \$558,347 in encumbrances that will be honored in the next fiscal year.

22. Beginning Fund Balance Reclassification

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

Fund Basis Financial Statements:	General Fund	Receipts Reserved for Appropriation	Nonmajor Governmental Funds
As previously reported	\$ 12,038,301	\$ 3,053,913	\$ 4,860,072
To reclassify receipts reserved for appropriation to nonmajor funds	-	(3,053,913)	3,053,913
To reclassify sick leave funds from trust funds	1,137,214	-	(1,137,214)
As restated	<u>\$ 13,175,515</u>	<u>\$ -</u>	<u>\$ 6,776,771</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 Supplemental Information
General Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 46,928,067	\$ 46,928,067	\$ 46,639,334	\$ (288,733)
Excises	2,667,956	2,667,956	2,737,718	69,762
Penalties, interest, and other taxes	120,000	120,000	209,895	89,895
Charges for services	324,529	324,529	340,537	16,008
Licenses and permits	522,987	522,987	688,453	165,466
Fines and forfeitures	101,230	101,230	87,484	(13,746)
Intergovernmental	10,464,197	10,464,197	10,470,554	6,357
Investment income	85,000	85,000	304,911	219,911
Miscellaneous	161,179	161,179	280,130	118,951
Total Revenues	61,375,145	61,375,145	61,759,016	383,871
Expenditures				
General government				
Personal services	294,885	325,885	324,954	931
General expense	215,900	362,600	179,862	182,738
Articles	100,000	100,000	100,000	-
Finance department				
Personal services	897,976	897,976	851,569	46,407
General expense	223,362	223,362	178,731	44,631
Articles	49,700	49,700	49,700	-
Police				
Personal services	3,968,190	3,963,190	3,859,571	103,619
General expense	264,869	264,869	234,154	30,715
Fire				
Personal services	3,081,241	3,131,241	3,073,191	58,050
General expense	279,186	259,186	248,040	11,146
Articles	326,000	324,855	324,855	-
CDMI				
Personal services	686,781	686,781	618,455	68,326
General expense	43,400	43,400	24,194	19,206
Articles				-
Library				
Personal services	440,633	440,633	364,018	76,615
General expense	165,800	165,800	128,626	37,174
Articles				-
Community Resources				
Personal services	423,536	423,536	371,361	52,175
General expense	179,910	179,910	179,852	58
Articles		-		-
Hanover Public Schools				
Operating budget	29,218,627	29,218,627	29,218,046	581
Articles	417,000	417,000	417,000	-
Other education - South Shore Vocational	750,000	750,000	706,005	43,995
Facilities				
Personal services	2,071,917	2,071,917	2,066,945	4,972
General expense	1,485,979	1,530,979	1,505,464	25,515
Articles	17,500	17,500	17,500	-
Public works				
Personal services	1,369,554	1,369,554	1,359,193	10,361
General expense	1,527,917	1,527,917	1,510,180	17,737
Articles	442,000	418,145	418,145	-
Snow & Ice				
Personal services	111,750	111,750	48,255	63,495
General expense	438,250	393,250	242,175	151,075
Town wide expenses				
General expense	8,492,959	8,492,259	8,336,038	156,221
Articles				-
Debt	6,199,544	6,199,544	5,802,809	396,735
State assessments	770,752	770,752	693,779	76,973
County assessments	55,335	55,335	55,335	-
Total Expenditures	65,010,453	65,187,453	63,508,002	1,679,451
Excess of revenues over depreciation	(3,635,308)	(3,812,308)	(1,748,986)	2,063,322

(continued)

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS

Required Supplemental Information
General Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual
For the Year Ended June 30, 2020

(continued)

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Other Financing Sources/Uses				
Transfers in	2,357,777	2,357,777	2,357,777	-
Transfers out	(227,000)	(50,000)	(50,000)	-
Use of free cash				
Operating budget	779,000	779,000	779,000	-
Capital budget	415,531	415,531	415,531	-
Transfers to stabilization and trust funds	210,000	210,000	210,000	-
OPEB trust fund contribution	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>3,635,308</u>	<u>3,812,308</u>	<u>3,812,308</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,063,322</u>	\$ <u>2,063,322</u>

See Independent Auditors' Report.

TOWN OF HANOVER

Community Preservation Fund – Major Special Revenue Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 1,083,494	\$ 1,083,494	\$ 1,109,961	\$ 26,467
Intergovernmental	<u>205,864</u>	<u>205,864</u>	<u>319,136</u>	<u>113,272</u>
Total Revenues and Other Sources	1,289,358	1,289,358	1,429,097	139,739
Expenditures				
Projects, acquisition, debt service, and other	1,103,008	1,103,008	1,104,127	(1,119)
Administration	64,467	64,467	62,881	1,586
Budgeted reserve to be appropriated:				
Reserves	386,809	386,809	386,809	-
Budgeted reserve	<u>443,124</u>	<u>443,124</u>	<u>443,124</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,997,408</u>	<u>1,997,408</u>	<u>1,996,941</u>	<u>467</u>
Excess (deficiency) of revenues over expenditures	(708,050)	(708,050)	(567,844)	140,206
Other Financing Sources/Uses				
Use of fund balance	<u>708,050</u>	<u>708,050</u>	<u>708,050</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>140,206</u>	\$ <u>140,206</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 66,301,838	\$ 67,508,054	\$ 1,831,732
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,126,731)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,261,990	-
To record use of free cash	-	-	1,504,531
To reclassify overhead costs	(463,395)	-	463,395
To remove unbudgeted stabilization fund	(48,931)	(137,276)	(260,000)
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,270,995)	(4,270,995)	-
Other timing issues and reclassifications	<u>240,499</u>	<u>272,960</u>	<u>272,650</u>
Budgetary basis	<u>\$ 61,759,016</u>	<u>\$ 63,508,002</u>	<u>\$ 3,812,308</u>

See Independent Auditors' Report.

TOWN OF HANOVER, MASSACHUSETTS
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(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, 2020	December 31, 2019	4.599%	\$31,382,708	\$ 13,515,420	232.20%	61.61%
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, 2020	June 30, 2019	0.295835%	\$ -	\$ 74,591,816	\$ 74,591,816	\$ 21,528,351	-	53.95%
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

(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, 2020	December 31, 2019	\$ 3,394,659	\$ 3,394,659	\$ -	\$ 13,713,014	24.76%
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, 2020	June 30, 2019	\$ 4,270,995	\$ 4,270,995	\$ -	\$ 21,528,351	19.84%
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%

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

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

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 1,395,101	\$ 1,333,347	\$ 1,156,338
Interest	1,812,913	1,841,927	1,845,453
Differences between expected and actual experience	214,827	-	-
Changes of assumptions	(464,091)	3,903,198	-
Benefit payments, including refunds of member contributions	<u>(1,434,837)</u>	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in total OPEB liability	1,523,913	5,869,139	1,843,541
Total OPEB liability - beginning	<u>41,971,626</u>	<u>36,102,487</u>	<u>34,258,946</u>
Total OPEB liability - ending (a)	43,495,539	41,971,626	36,102,487
 Plan Fiduciary Net Position			
Contributions - employer	1,894,607	1,729,648	3,323,994
Net investment income	210,290	43,103	75,590
Benefit payments, including refunds of member contributions	<u>(1,434,837)</u>	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in plan fiduciary net position	670,060	563,418	2,241,334
Plan fiduciary net position - beginning	<u>2,804,752</u>	<u>2,241,334</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability - ending (a-b)	\$ <u><u>40,020,727</u></u>	\$ <u><u>39,166,874</u></u>	\$ <u><u>33,861,153</u></u>

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

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 43,495,539	\$ 41,971,626	\$ 36,102,487
Plan fiduciary net position	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability	<u>\$ 40,020,727</u>	<u>\$ 39,166,874</u>	<u>\$ 33,861,153</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.99%	6.68%	6.21%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 3,810,078	\$ 3,572,462	\$ 3,278,808
Contributions in relation to the actuarially determined contribution	<u>1,894,607</u>	<u>1,729,648</u>	<u>3,323,994</u>
Contribution deficiency (excess)	<u>\$ 1,915,471</u>	<u>\$ 1,842,814</u>	<u>\$ (45,186)</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	7.31%	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 the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.