



## **TOWN OF HANOVER, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Select Board  
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 (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such

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

### ***Emphasis of Matter***

As discussed in Note 18 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund and major special revenue 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 October 21, 2022 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Andover, Massachusetts  
October 21, 2022

## **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, 2021.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements 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. The Town's 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 Town'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 Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Town 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 \$39,263,181, a change of \$2,140,243, and net position in business-type activities was \$8,697,647, a change of \$559,574.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$26,833,321, a change of \$3,895,567 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,289,331, a change of \$3,742,651 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.

<b>NET POSITION</b> <b>(in thousands)</b>						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>						
Current and other assets	\$ 34,173	\$ 32,472	\$ 4,453	\$ 3,118	\$ 38,626	\$ 35,590
Capital assets	<u>121,797</u>	<u>125,156</u>	<u>12,194</u>	<u>11,917</u>	<u>133,991</u>	<u>137,073</u>
Total assets	155,970	157,628	16,647	15,035	172,617	172,663
Deferred outflows of resources	5,265	7,112	70	125	5,335	7,237
<b>Liabilities</b>						
Other liabilities	5,250	6,664	171	2,803	5,421	9,467
Long-term liabilities	<u>111,605</u>	<u>119,595</u>	<u>7,667</u>	<u>4,060</u>	<u>119,272</u>	<u>123,655</u>
Total liabilities	116,855	126,259	7,838	6,863	124,693	133,122
Deferred inflows of resources	5,117	1,566	181	159	5,298	1,725
<b>Net Position</b>						
Net investment in capital assets	81,442	79,514	7,812	7,409	89,254	86,923
Restricted	13,417	12,647	-	-	13,417	12,647
Unrestricted	<u>(55,595)</u>	<u>(55,246)</u>	<u>886</u>	<u>729</u>	<u>(54,709)</u>	<u>(54,517)</u>
Total net position	\$ <u>39,264</u>	\$ <u>36,915</u>	\$ <u>8,698</u>	\$ <u>8,138</u>	\$ <u>47,962</u>	\$ <u>45,053</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$47,960,828, a change of \$2,699,817 in comparison to the prior year.

The largest portion of net position, \$89,253,660, 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 \$13,416,806 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 \$(54,709,638) primarily resulting from unfunded pension and OPEB liabilities.

<b>CHANGES IN NET POSITION</b>						
<b>(in thousands)</b>						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 6,684	\$ 5,324	\$ 4,449	\$ 3,860	\$ 11,133	\$ 9,184
Operating grants and contributions	22,590	19,386	-	-	22,590	19,386
Capital grants and contributions	1,300	452	-	-	1,300	452
General revenues:	-	-	-	-	-	-
Property taxes	49,665	48,147	-	-	49,665	48,147
Excise taxes	3,046	3,011	-	-	3,046	3,011
Penalties, interest, and other taxes	317	210	-	-	317	210
Grants and contributions not restricted to specific programs	2,974	3,003	-	-	2,974	3,003
Investment income	427	360	-	-	427	360
Other	541	365	-	-	541	365
Total revenues	87,544	80,258	4,449	3,860	91,993	84,118

(continued)

(continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Expenses:						
General government	6,920	4,319	-	-	6,920	4,319
Public safety	13,099	11,217	-	-	13,099	11,217
Education	57,297	56,061	-	-	57,297	56,061
Public works	3,816	5,184	-	-	3,816	5,184
Health and human services	1,092	981	-	-	1,092	981
Culture and recreation	1,190	1,365	-	-	1,190	1,365
Interest on long-term debt	1,146	1,528	-	-	1,146	1,528
Intergovernmental	783	749	-	-	783	749
Water services	-	-	3,949	3,809	3,949	3,809
Total expenses	<u>85,343</u>	<u>81,404</u>	<u>3,949</u>	<u>3,809</u>	<u>89,292</u>	<u>85,213</u>
Change in net position before transfers	2,201	(1,146)	500	51	2,701	(1,095)
Transfers in (out)	<u>(60)</u>	<u>(63)</u>	<u>60</u>	<u>63</u>	<u>-</u>	<u>-</u>
Change in net position	2,141	(1,209)	560	114	2,701	(1,095)
Net position - beginning of year, as restated	<u>37,123</u>	<u>38,124</u>	<u>8,138</u>	<u>8,024</u>	<u>45,261</u>	<u>46,148</u>
Net position - end of year	<u>\$ 39,264</u>	<u>\$ 36,915</u>	<u>\$ 8,698</u>	<u>\$ 8,138</u>	<u>\$ 47,962</u>	<u>\$ 45,053</u>

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$2,140,243. Key elements of this change are as follows:

General fund operations	\$ 2,990,568
Decrease in pension expense from GASB 68	515,704
Increase in OPEB expense from GASB 75	(1,595,631)
Other	<u>229,602</u>
Total	<u>\$ 2,140,243</u>

### ***Business-Type Activities***

Business-type activities for the year resulted in a change in net position of \$559,574. 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 Town'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 \$11,289,331, while total fund balance was \$16,791,599. The unassigned fund balance increased \$3,742,651 primarily from the positive budgetary results of \$5,113,595 less the additional use of certified "free cash" for fiscal year 2022 of \$1,640,000.

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>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 11,289,331	\$ 7,546,680	\$ 3,742,651	17.6%
Total fund balance	\$ 16,791,599	\$ 13,801,031	\$ 2,990,568	26.2%

\*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 \$4,581,969.

The total fund balance of the General Fund changed by \$2,990,568 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,039,878)
Revenue surplus	3,719,872
Appropriation turnbacks by departments	1,393,723
Change in stabilization	(89,486)
Other	<u>6,337</u>
Total	<u>\$ 2,990,568</u>

Included in the total General Fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
General stabilization	\$ 2,235,624	\$ 2,201,254	\$ 34,370
Capital stabilization	737,123	728,866	8,257
Town sick leave trust fund	547,854	602,953	(55,099)
School sick leave trust fund	370,057	447,077	(77,020)
Special education stabilization	210,000	210,000	-
Wind turbine stabilization	<u>66,985</u>	<u>66,979</u>	<u>6</u>
Total	<u>\$ 4,167,643</u>	<u>\$ 4,257,129</u>	<u>\$ (89,486)</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 \$441,522 as a result of capital grants awarded 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 \$609,734 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.

#### *Nonmajor Governmental Funds*

The fund balance of nonmajor governmental funds changed by \$(146,257) primarily from timing differences between the receipt and disbursement of grants.

#### ***Proprietary Funds***

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$885,852, a change of \$156,719 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 Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$133,990,492 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and furnishings, vehicles, infrastructure, and construction in progress,

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

- \$1,307,923 increase in infrastructure relating to various road improvements
- \$446,839 increase in construction in progress relating to High School tennis courts
- \$667,097 increase in construction in progress relating to the Water Treatment Plant renovations.

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

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$46,510,800, all of which was backed by the full faith and credit of the Town.

The Town maintained their AA rating from S&P for general obligation debt.

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

## **Requests for Information**

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

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

**TOWN OF HANOVER, MASSACHUSETTS**

Statement of Net Position

June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 25,149,359	\$ 2,962,101	\$ 28,111,460
Investments	6,155,819	-	6,155,819
Receivables, net of allowance for uncollectibles:			
Property taxes	594,631	-	594,631
Excises	231,813	-	231,813
User fees	-	1,491,307	1,491,307
Departmental and other	645,807	-	645,807
Intergovernmental	481,714	-	481,714
Other assets	<u>126,683</u>	<u>-</u>	<u>126,683</u>
Total Current Assets	33,385,826	4,453,408	37,839,234
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	787,426	-	787,426
Capital Assets:			
Nondepreciable capital assets	10,866,180	3,267,876	14,134,056
Other assets, net of accumulated depreciation	<u>110,930,616</u>	<u>8,925,820</u>	<u>119,856,436</u>
Total Noncurrent Assets	<u>122,584,222</u>	<u>12,193,696</u>	<u>134,777,918</u>
Total Assets	155,970,048	16,647,104	172,617,152
<b>Deferred Outflows of Resources</b>			
Related to pensions	3,076,190	40,517	3,116,707
Related to OPEB	<u>2,188,506</u>	<u>29,553</u>	<u>2,218,059</u>
Total Deferred Outflows of Resources	5,264,696	70,070	5,334,766

(continued)

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

**TOWN OF HANOVER, MASSACHUSETTS**

Statement of Net Position

June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	1,127,690	171,662	1,299,352
Accrued liabilities	1,852,804	-	1,852,804
Notes payable	1,581,783	-	1,581,783
Other current liabilities	687,298	-	687,298
Current portion of long-term liabilities:			
Bonds payable	3,444,283	734,642	4,178,925
Compensated absence	146,526	7,159	153,685
Total Current Liabilities	8,840,384	913,463	9,753,847
Noncurrent:			
Bonds payable, net of current portion	39,339,435	5,908,072	45,247,507
Compensated absences, net of current portion	2,784,001	136,016	2,920,017
Net pension liability	27,197,446	358,224	27,555,670
Net OPEB liability	38,693,206	522,501	39,215,707
Total Noncurrent Liabilities	108,014,088	6,924,813	114,938,901
Total Liabilities	116,854,472	7,838,276	124,692,748
<b>Deferred Inflows of Resources</b>			
Related to pensions	2,743,895	36,140	2,780,035
Related to OPEB	2,113,936	28,546	2,142,482
Deferred amount on refunding	259,260	116,565	375,825
Total Deferred Inflows of Resources	5,117,091	181,251	5,298,342
<b>Net Position</b>			
Net investment in capital assets	81,441,865	7,811,795	89,253,660
Restricted for:			
Bonded projects	460,253	-	460,253
Special revenue funds:			
Community preservation	5,671,925	-	5,671,925
Ambulance	1,503,441	-	1,503,441
Cable access	604,209	-	604,209
Town revolving	623,779	-	623,779
Grants and other statutory restrictions	2,088,263	-	2,088,263
Expendable trust funds:			
Affordable housing trust	1,030,465	-	1,030,465
John Curtis library trust	1,153,801	-	1,153,801
Building insurance trust	40,019	-	40,019
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	74,191	-	74,191
Unrestricted	(55,595,490)	885,852	(54,709,638)
Total Net Position	\$ 39,263,181	\$ 8,697,647	\$ 47,960,828

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



**TOWN OF HANOVER, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2021

		Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
<b>Governmental Activities</b>					
General government	\$ 6,921,913	\$ 679,735	\$ 1,583,585	\$ -	\$ (4,658,593)
Public safety	13,098,872	4,102,067	493,776	-	(8,503,029)
Education	57,297,335	1,250,455	20,099,525	441,730	(35,505,625)
Public works	3,816,004	299,075	13,700	858,480	(2,644,749)
Health and human services	1,091,531	163,066	374,549	-	(553,916)
Culture and recreation	1,190,262	190,084	25,337	-	(974,841)
Interest on long-term debt	1,145,687	-	-	-	(1,145,687)
Intergovernmental	782,843	-	-	-	(782,843)
Total Governmental Activities	85,344,447	6,684,482	22,590,472	1,300,210	(54,769,283)
<b>Business-Type Activities</b>					
Water services	3,950,030	4,448,983	-	-	498,953
Total Business-Type Activities	3,950,030	4,448,983	-	-	498,953
Total	\$ <u>89,294,477</u>	\$ <u>11,133,465</u>	\$ <u>22,590,472</u>	\$ <u>1,300,210</u>	(54,270,330)

(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, 2021

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (54,769,283)	\$ 498,953	\$ (54,270,330)
<b>General Revenues, Contributions, and Transfers:</b>			
Property taxes	49,665,001	-	49,665,001
Excise taxes	3,046,442	-	3,046,442
Penalties, interest, and other taxes	316,799	-	316,799
Grants and contributions not restricted to specific programs	2,973,936	-	2,973,936
Investment income	426,731	221	426,952
Other	541,017	-	541,017
Transfers	<u>(60,400)</u>	<u>60,400</u>	<u>-</u>
Total General Revenues, Contributions, and Transfers	56,909,526	60,621	56,970,147
Change in Net Position	2,140,243	559,574	2,699,817
Net Position:			
Beginning of Year, as restated	<u>37,122,938</u>	<u>8,138,073</u>	<u>45,261,011</u>
End of Year	<u>\$ 39,263,181</u>	<u>\$ 8,697,647</u>	<u>\$ 47,960,828</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2021

	<u>General Fund</u>	<u>School Capital Project Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and short-term investments	\$ 14,664,904	\$ 496,448	\$ 5,677,632	\$ 4,310,375	\$ 25,149,359
Investments	5,002,018	-	-	1,153,801	6,155,819
Receivables:					
Property taxes	1,656,057	-	-	-	1,656,057
Excise taxes	290,438	-	-	1,675	292,113
Departmental and other	-	-	14,523	631,284	645,807
Intergovernmental	-	-	-	481,714	481,714
Due from other funds	10,830	-	-	-	10,830
Other assets	-	-	-	126,683	126,683
Total Assets	\$ <u>21,624,247</u>	\$ <u>496,448</u>	\$ <u>5,692,155</u>	\$ <u>6,705,532</u>	\$ <u>34,518,382</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 373,823	\$ -	\$ 5,708	\$ 748,159	\$ 1,127,690
Accrued liabilities	1,852,804	-	-	-	1,852,804
Due to other funds	-	-	-	10,830	10,830
Notes payable	-	1,581,783	-	-	1,581,783
Other liabilities	659,529	-	-	27,769	687,298
Total Liabilities	2,886,156	1,581,783	5,708	786,758	5,260,405
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	1,946,492	-	14,522	463,642	2,424,656
<b>Fund Balances</b>					
Nonspendable	-	-	-	166,460	166,460
Restricted	695,650	-	5,671,925	7,578,421	13,945,996
Committed	2,870,238	-	-	-	2,870,238
Assigned	1,936,380	-	-	-	1,936,380
Unassigned	11,289,331	(1,085,335)	-	(2,289,749)	7,914,247
Total Fund Balances	16,791,599	(1,085,335)	5,671,925	5,455,132	26,833,321
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>21,624,247</u>	\$ <u>496,448</u>	\$ <u>5,692,155</u>	\$ <u>6,705,532</u>	\$ <u>34,518,382</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, 2021

<b>Total governmental fund balances</b>	\$ 26,833,321
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	121,796,796
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,090,356
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds and loans payable	(42,783,718)
Net pension liability and related deferred inflows and outflows	(26,865,151)
Net OPEB liability and related deferred inflows and outflows	(38,618,636)
Compensated absences	(2,930,527)
Gain on refunding bonds	<u>(259,260)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 39,263,181</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, 2021

	<u>General Fund</u>	<u>School Capital Project Fund</u>	<u>Community Preservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 48,771,628	\$ -	\$ 1,160,996	\$ -	\$ 49,932,624
Excise taxes	3,229,267	-	-	38,069	3,267,336
Penalties, interest, and other taxes	316,759	-	-	40	316,799
Charges for services	412,288	-	-	4,293,027	4,705,315
Intergovernmental	15,468,366	441,522	401,276	5,541,037	21,852,201
Licenses and permits	1,794,726	-	-	29,013	1,823,739
Fines and forfeitures	31,779	-	-	-	31,779
Investment income	111,010	-	-	253,721	364,731
Other	346,610	-	-	1,193,855	1,540,465
<b>Total Revenues</b>	<b>70,482,433</b>	<b>441,522</b>	<b>1,562,272</b>	<b>11,348,762</b>	<b>83,834,989</b>
<b>Expenditures</b>					
Current:					
General government	3,050,043	-	587,439	3,029,222	6,666,704
Public safety	8,448,813	-	-	1,636,605	10,085,418
Education	37,746,512	-	-	4,269,187	42,015,699
Public works	3,216,717	-	-	612,057	3,828,774
Health and human services	486,615	-	-	371,345	857,960
Culture and recreation	553,252	-	-	253,854	807,106
Employee benefits	8,875,809	-	-	-	8,875,809
Other	-	-	-	25,720	25,720
Debt service:					
Principal	3,980,647	-	305,000	-	4,285,647
Interest	1,587,243	-	60,099	-	1,647,342
Intergovernmental	782,843	-	-	-	782,843
<b>Total Expenditures</b>	<b>68,728,494</b>	<b>-</b>	<b>952,538</b>	<b>10,197,990</b>	<b>79,879,022</b>
Excess of revenues over expenditures	1,753,939	441,522	609,734	1,150,772	3,955,967
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,297,029	-	-	-	1,297,029
Transfers out	(60,400)	-	-	(1,297,029)	(1,357,429)
<b>Total Other Financing Sources (Uses)</b>	<b>1,236,629</b>	<b>-</b>	<b>-</b>	<b>(1,297,029)</b>	<b>(60,400)</b>
Change in fund balance	2,990,568	441,522	609,734	(146,257)	3,895,567
Fund Balance, at Beginning of Year, as restated	13,801,031	(1,526,857)	5,062,191	5,601,389	22,937,754
Fund Balance, at End of Year	\$ <u>16,791,599</u>	\$ <u>(1,085,335)</u>	\$ <u>5,671,925</u>	\$ <u>5,455,132</u>	\$ <u>26,833,321</u>

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, 2021

**Net changes in fund balances - total governmental funds** \$ 3,895,567

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	1,774,060
Disposal of assets	(9,450)
Depreciation	(5,123,606)

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

Issuance of debt	(792,000)
Repayments of debt	4,244,700
Amortization of bond premium, net	181,497
Amortization of deferred amount on refunding	32,408

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

(395,168)

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

Change in pension expense from GASB 68	515,704
Change in OPEB expense from GASB 75	(1,595,631)
Change in compensated absences	3,538
Other differences.	<u>(591,376)</u>

**Change in net assets of governmental activities** \$ 2,140,243

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

**TOWN OF HANOVER, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2021

	<u>Enterprise Funds</u>
	<u>Water</u> <u>Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 2,962,101
User fees receivable , net of allowance for uncollectibles	<u>1,491,307</u>
Total current assets	4,453,408
Noncurrent:	
Capital Assets:	
Nondepreciable capital assets	3,267,876
Other assets, net of accumulated depreciation	<u>8,925,820</u>
Total noncurrent assets	<u>12,193,696</u>
Total Assets	16,647,104
<b>Deferred Outflows of Resources</b>	
Related to pensions	40,517
Related to OPEB	<u>29,553</u>
Total Deferred Outflows of Resources	70,070
<b>Liabilities</b>	
Current:	
Warrants and accounts payable	171,662
Current portion of long-term liabilities:	
Bonds payable	734,642
Compensated absenses	<u>7,159</u>
Total current liabilities	913,463
Noncurrent:	
Bonds payable, net of current portion	5,908,072
Compensated absenses, net of current portion	136,016
Net pension liability	358,224
Net OPEB liability	<u>522,501</u>
Total noncurrent liabilities	<u>6,924,813</u>
Total Liabilities	7,838,276
<b>Deferred Inflows of Resources</b>	
Related to pensions	36,140
Related to OPEB	28,546
Deferred amount on refunding	<u>116,565</u>
Total Deferred Inflows of Resources	181,251
<b>Net Position</b>	
Invested in capital assets, net of related debt	7,811,795
Unrestricted	<u>885,852</u>
Total Net Position	<u>\$ 8,697,647</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, 2021

	<u>Enterprise Funds</u>
	<u>Water Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ 4,228,395
Other	<u>220,588</u>
Total Operating Revenues	4,448,983
<b>Operating Expenses</b>	
Public works	
Salaries and benefits	1,580,642
Other operating expenses	1,862,481
Depreciation	<u>399,595</u>
Total Operating Expenses	<u>3,842,718</u>
Operating Income	606,265
<b>Nonoperating Revenues (Expenses)</b>	
Investment income	221
Interest expense	<u>(107,312)</u>
Total Nonoperating (Expenses), Net	<u>(107,091)</u>
Income Before Transfers	499,174
Transfers in	<u>60,400</u>
Change in Net Position	559,574
Net Position at Beginning of Year	<u>8,138,073</u>
Net Position at End of Year	<u><u>\$ 8,697,647</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, 2021

	<u>Enterprise Funds</u>
	<u>Water Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 4,397,426
Payments to vendors and employees	<u>(3,570,407)</u>
Net Cash Provided By Operating Activities	673,118
Cash Flows From Noncapital Financing Activities	
Transfers in	<u>60,400</u>
Net Cash Provided By Noncapital Financing Activities	60,400
Cash Flows From Capital and Related Financing Activities	
Issuance of bonds	3,998,000
Issuance of premiums	312,000
Acquisition and construction of capital assets	(676,547)
Principal payments on bonds	(450,000)
Principal payments on notes	(2,496,000)
Interest expense	<u>(137,781)</u>
Net Cash Provided BY Capital and Related Financing Activities	549,672
Cash Flows From Investing Activities	
Investment income	<u>221</u>
Net Cash Provided By Investing Activities	<u>221</u>
Net Change in Cash and Short-Term Investments	1,283,411
Cash and Short-Term Investments, Beginning of Year	<u>1,678,690</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,962,101</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 606,265
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	399,595
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees receivable	(51,557)
Deferred outflows - related to pensions	46,648
Deferred outflows - related to OPEB	8,816
Warrants payable	(120,826)
Accrued expenses	(14,394)
Compensated absences	37,434
Net pension liability	(269,430)
Net OPEB liability	(10,726)
Deferred inflows - related to pensions	17,836
Deferred inflows - related to OPEB	<u>23,457</u>
Net Cash Provided By Operating Activities	<u>\$ 673,118</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, 2021

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 565,472	\$ 102,767	\$ 91,584
Investments			
Corporate bonds	171,051	-	-
Corporate equities	3,238,352	-	-
Equity mutual funds	65,689	-	-
Federal agency securities	116,267	-	-
Fixed income mutual funds	418,184	-	-
U.S. treasury notes	193,320	-	-
Total Investments	<u>4,202,863</u>	<u>-</u>	<u>-</u>
Total Assets	4,768,335	102,767	91,584
<b>Liabilities</b>			
Warrants and accounts payable	<u>-</u>	<u>-</u>	<u>7,699</u>
Total Liabilities	-	-	7,699
<b>Net Position</b>			
Restricted for OPEB purposes	4,768,335	-	-
Restricted for individuals and organizations	<u>-</u>	<u>102,767</u>	<u>83,885</u>
Total Net Position	<u>\$ 4,768,335</u>	<u>\$ 102,767</u>	<u>\$ 83,885</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, 2021

	Other Post-employment Benefit <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Fund</u>
<b>Additions</b>			
Employer contributions	\$ 1,865,258	\$ 10,000	\$ -
Interest income	902,788	13	10
Fees collected for students	<u>-</u>	<u>-</u>	<u>71,520</u>
Total additions	2,768,046	10,013	71,530
<b>Deductions</b>			
Benefit payments to plan members and beneficiaries	1,474,523	-	-
Other	-	13,002	-
Payments on behalf of students	<u>-</u>	<u>-</u>	<u>114,267</u>
Total deductions	<u>1,474,523</u>	<u>13,002</u>	<u>114,267</u>
Net increase (decrease)	1,293,523	(2,989)	(42,737)
<b>Net position restricted for OPEB and other purposes</b>			
Beginning of year	<u>3,474,812</u>	<u>105,756</u>	<u>126,622</u>
End of year	<u>\$ 4,768,335</u>	<u>\$ 102,767</u>	<u>\$ 83,885</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 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### ***Government-Wide and Fund Financial Statements***

###### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and 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* as are the proprietary fund and fiduciary fund financial statements. 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 collected 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 an 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 major Water Enterprise fund is used to account for operation of the Town water system.

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 Benefits Trust Fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- *Private-Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in the OPEB trust fund or a permanent fund, under which principal and investment income exclusively benefit individuals and private organizations.
- The *Custodial Fund* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements.

### ***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.

The Town invest in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* and investments are valued at amortized cost, which approximate the net asset value of \$1 per share.

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 2021 tax levy reflected an excess capacity of \$515,159. 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
Machinery and furnishings	5 - 15

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

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

### ***Net Position***

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

### ***Use of Estimates***

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets



and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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

### ***Budgetary Information***

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.

### ***Deficit Fund Equity***

Certain individual funds reflected deficit balances as of June 30, 2021.

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

## **3. Deposits and Investments (Excluding the OPEB Trust Fund)**

Massachusetts General Laws (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 with 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 consist 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. 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, 2021, \$20,431,795 of the Town's bank balance of \$28,350,773 was collateralized by securities held by the pledging financial institution or their trust department. Additionally, \$5,251,205 was invested in MMDT, which is not subject to this disclosure.

#### *Investment Summary*

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

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 1,256,449
Corporate equities	1,209,406
Equity mutual funds	53,009
Federal agency securities	249,634
Fixed income mutual funds	444,392
Market-linked certificates of deposit	2,378,600
U.S. Treasury notes	<u>564,329</u>
Total investments	\$ <u><u>6,155,819</u></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, 2021, \$5,658,418 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:

<u>Investment Type</u>	<u>Amount</u>	Held by Counterparty's <u>Trust or Agent</u>
Corporate bonds	\$ 1,256,449	\$ 1,256,449
Corporate equities	1,209,406	1,209,406
Federal agency securities	249,634	249,634
Market-linked certificates of deposit	2,378,600	2,378,600
U.S. Treasury notes	564,329	564,329
Total	\$ <u>5,658,418</u>	\$ <u>5,658,418</u>

#### *Credit Risk – Investment in 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, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities are as follows (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>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,256,449	\$ -	\$ 763,663	\$ 492,786	\$ -
Federal agency securities	249,634	249,634	-	-	-
Fixed income mutual funds	444,392	-	-	-	444,392
Market linked certificates of deposit	<u>2,378,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,378,600</u>
Total	\$ <u>4,329,075</u>	\$ <u>249,634</u>	\$ <u>763,663</u>	\$ <u>492,786</u>	\$ <u>2,822,992</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, 2021, the Town does not have any investments in any one issuer that exceeded 5% of total investments.

#### *Interest Rate Risk – Investments in 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	\$ 1,256,449	\$ 224,733	\$ 898,822	\$ 132,894
Federal agency securities	249,634	-	249,634	-
Fixed income mutual funds	444,392	-	-	444,392
Market-linked certificates of deposit	2,378,600	-	2,378,600	-
U.S. Treasury notes	<u>564,329</u>	<u>304,232</u>	<u>260,097</u>	<u>-</u>
Total	\$ <u>4,893,404</u>	\$ <u>528,965</u>	\$ <u>3,787,153</u>	\$ <u>577,286</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 or liability 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 are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (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	\$ 1,256,449	\$ -	\$ 1,256,449	\$ -
Corporate equities	1,209,406	1,209,406	-	-
Equity mutual funds	53,009	53,009	-	-
Federal agency securities	249,634	-	249,634	-
Fixed income mutual funds	444,392	444,392	-	-
Market-linked certificates of deposit	2,378,600	-	2,378,600	-
U.S. Treasury notes	564,329	564,329	-	-
Total	\$ <u>6,155,819</u>	\$ <u>2,271,136</u>	\$ <u>3,884,683</u>	\$ <u>-</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 OPEB Trust Fund's 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, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 171,051
Corporate equities	3,238,352
Equity mutual funds	65,689
Federal agency securities	116,267
Fixed income mutual funds	418,184
U.S. Treasury notes	<u>193,320</u>
Total investments	<u>\$ 4,202,863</u>

##### *Custodial Credit Risk - Investments*

As of June 30, 2021, 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) are the actual ratings, as rated by S&P Global Ratings 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>AA</u>	<u>A</u>	<u>Unrated</u>
Corporate bonds	\$ 171,051	\$ 58,231	\$ 71,976	\$ 40,845	\$ -
Fixed income mutual funds	418,184	-	-	-	418,184
Federal agency securities	<u>116,267</u>	<u>116,267</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 705,502</u>	<u>\$ 174,498</u>	<u>\$ 71,976</u>	<u>\$ 40,845</u>	<u>\$ 418,184</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, 2021.

### *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:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 171,051	\$ 121,258	\$ 49,793
Federal agency securities	116,267	67,309	48,958
Fixed income mutual funds	418,184	-	418,184
U.S. Treasury notes	<u>193,320</u>	<u>150,478</u>	<u>42,842</u>
Total	<u>\$ 898,822</u>	<u>\$ 339,045</u>	<u>\$ 559,777</u>

### *Fair Value*

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

		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	\$ 171,051	\$ -	\$ 171,051	\$ -
Corporate equities	3,238,352	-	3,238,352	-
Equity mutual funds	65,689	65,689	-	-
Federal agency securities	116,267	-	116,267	-
Fixed income mutual funds	418,184	-	418,184	-
U.S. Treasury notes	<u>193,320</u>	<u>193,320</u>	<u>-</u>	<u>-</u>
Total	\$ 4,202,863	\$ 259,009	\$ 3,943,854	\$ -

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**

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting in the government-wide and fund basis statements, respectively.

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 of Massachusetts. 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, 2021 consist of the following (in thousands):

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 616	\$ (153)	\$ 463	\$ -
Personal property taxes	55	(34)	21	-
Tax liens	874	(87)	-	787
Deferred taxes	111	-	111	-
Total property taxes	<u>\$ 1,656</u>	<u>\$ (274)</u>	<u>\$ 595</u>	<u>\$ 787</u>
Motor vehicle excise	\$ 289	\$ (60)	\$ 229	
Boat excise	1	-	1	
Waterways excise	2	-	2	
Total excises	<u>\$ 292</u>	<u>\$ (60)</u>	<u>\$ 232</u>	

## 6. User Fee Receivables

Receivables for user charges at June 30, 2021 consist of the following (in thousands):

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water charges and liens	\$ 1,566	\$ (75)	\$ 1,491

## 7. Intergovernmental Receivables

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

## 8. Interfund Accounts

### ***Receivables/Payables***

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The composition of interfund balances as of June 30, 2021 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,830	\$ -
Nonmajor Governmental Funds	<u>-</u>	<u>10,830</u>
Total	<u>\$ 10,830</u>	<u>\$ 10,830</u>

### ***Transfers***

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

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,297,029	\$ 60,400
Nonmajor Governmental Funds:		
Special Revenue Funds	<u>-</u>	<u>1,297,029</u>
Subtotal Nonmajor Governmental Funds	-	1,297,029
<u>Business-Type Funds</u>		
Water Fund	<u>60,400</u>	<u>-</u>
Grand Total	<u>\$ 1,357,429</u>	<u>\$ 1,357,429</u>

Of the transfer into the General Fund, \$1,200,000 was transferred from the Ambulance Fund, \$75,000 from the Cemetery Fund, and \$22,029 from the WPAT Loan Repayment Fund. The ambulance fund generates approximately \$1.2 million in revenue annually. Of the transfer out of the General Fund, \$60,400 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, 2021 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 134,276	\$ -	\$ -	\$ 134,276
Machinery, equipment, and furnishings	4,363	20	-	4,383
Vehicles	12,196	-	-	12,196
Infrastructure	34,184	1,308	-	35,492
Total capital assets, being depreciated	185,019	1,328	-	186,347
Less accumulated depreciation for:				
Buildings and improvements	(38,665)	(3,343)	-	(42,008)
Machinery, equipment, and furnishings	(2,976)	(187)	-	(3,163)
Vehicles	(9,238)	(927)	-	(10,165)
Infrastructure	(19,413)	(667)	-	(20,080)
Total accumulated depreciation	(70,292)	(5,124)	-	(75,416)
Capital assets, being depreciated, net	114,727	(3,796)	-	110,931
Capital assets, not being depreciated:				
Land	10,031	-	-	10,031
Construction in progress	398	446	(9)	835
Total capital assets, not being depreciated	10,429	446	(9)	10,866
Governmental activities capital assets, net	\$ 125,156	\$ (3,350)	\$ (9)	\$ 121,797
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,994	\$ -	\$ -	\$ 7,994
Vehicles	483	-	-	483
Infrastructure	12,873	-	-	12,873
Total capital assets, being depreciated	21,350	-	-	21,350
Less accumulated depreciation for:				
Buildings and improvements	(2,846)	(189)	-	(3,035)
Vehicles	(371)	(43)	-	(414)
Infrastructure	(8,807)	(168)	-	(8,975)
Total accumulated depreciation	(12,024)	(400)	-	(12,424)
Capital assets, being depreciated, net	9,326	(400)	-	8,926
Capital assets, not being depreciated:				
Land	828	-	-	828
Construction in progress	1,763	668	9	2,440
Total capital assets, not being depreciated	2,591	668	9	3,268
Business-type activities capital assets, net	\$ 10,682	\$ 268	\$ 9	\$ 12,194

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

Governmental Activities	
General government	\$ 89
Public safety	856
Education	2,820
Public works	963
Health and human services	101
Culture and recreation	<u>295</u>
Total governmental activities	\$ <u>5,124</u>
Business-Type Activities	
Water	\$ 400

#### 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. Notes Payable

The Town had the following notes outstanding at June 30, 2021:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/21</u>
General Obligation BAN 2021	1.00%	02/24/21	02/24/22	\$ <u>1,581,783</u>
Total				\$ <u>1,581,783</u>

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

<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	\$ 1,581,783	\$ (3,443,121)	\$ 1,581,783
Enterprise	<u>2,496,000</u>	<u>-</u>	<u>(2,496,000)</u>	<u>-</u>
Total	\$ <u>5,939,121</u>	\$ <u>1,581,783</u>	\$ <u>(5,939,121)</u>	\$ <u>1,581,783</u>

## 12. 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 6/30/21
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
General obligation refunding	\$ 12,573,700	06/03/29	2.00-4.00%	\$ 10,120,000
General obligation loan	14,885,000	06/30/32	2.87%	6,605,000
General obligation loan	10,810,000	09/01/34	3.96%	6,960,000
General obligation loan	792,000	12/01/40	4.00%	792,000
General obligation loan	16,585,598	05/15/47	3.00-5.00%	<u>15,660,000</u>
Total general obligation bonds				40,137,000
<u>Loans - Direct Borrowings:</u>				
Stormwater management	189,825	08/01/22	3.00%	25,000
MWPAT 15-97-1140-A	294,000	01/15/35	0.00%	<u>205,800</u>
Total loans - direct borrowings				<u>230,800</u>
Total governmental activities				<u>\$ 40,367,800</u>

<u>Business-Type Activities</u>				Amount Outstanding as of 6/30/21
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
Alternative Energy	\$ 750,000	05/19/29	2.87%	\$ 345,000
General obligation	1,309,402	05/15/29	3.00-5.00%	1,025,000
General obligation refunding	2,101,300	06/30/30	2.00-4.00%	775,000
General obligation loan	3,998,000	12/01/40	4.00%	<u>3,998,000</u>
Total business-type activities				<u>\$ 6,143,000</u>

**Future Debt Service**

The annual payments to retire all general obligation bonds and direct borrowings outstanding as of June 30, 2021 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>
2022	\$ 3,187,000	\$ 1,455,495	\$ 24,700	\$ 1,000
2023	3,230,000	1,303,452	29,700	375
2024	3,290,000	1,163,151	14,700	-
2025	3,225,000	1,028,751	14,700	-
2026	3,140,000	895,258	14,700	-
2027 - 2031	11,585,000	2,934,825	73,500	-
2032 - 2036	4,740,000	1,545,779	58,800	-
2037 - 2041	3,270,000	964,136	-	-
2042 - 2046	3,670,000	457,050	-	-
Thereafter	800,000	24,000	-	-
Total	<u>\$ 40,137,000</u>	<u>\$ 11,771,897</u>	<u>\$ 230,800</u>	<u>\$ 1,375</u>

<u>Business-Type</u>	<u>Bonds- Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 708,000	\$ 235,036
2023	705,000	174,158
2024	685,000	144,558
2025	455,000	116,208
2026	455,000	97,008
2027 - 2031	1,680,000	228,115
2032 - 2036	735,000	74,007
Thereafter	720,000	26,707
Total	<u>\$ 6,143,000</u>	<u>\$ 1,095,797</u>

### ***Changes in General Long-Term Liabilities***

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 43,565	\$ 792	\$ (4,220)	\$ 40,137	\$ (3,187)	\$ 36,950
Loans payable (direct borrowings)	255	-	(25)	230	(25)	205
Unamortized premium	<u>2,598</u>	<u>62</u>	<u>(244)</u>	<u>2,416</u>	<u>(232)</u>	<u>2,184</u>
Subtotal	46,418	854	(4,489)	42,783	(3,444)	39,339
Net pension liability	30,755	-	(3,558)	27,197	-	27,197
Net OPEB liability	39,488	-	(795)	38,693	-	38,693
Compensated absences	<u>2,934</u>	<u>144</u>	<u>(147)</u>	<u>2,931</u>	<u>(147)</u>	<u>2,784</u>
Totals	<u>\$ 119,595</u>	<u>\$ 998</u>	<u>\$ (8,989)</u>	<u>\$ 111,604</u>	<u>\$ (3,591)</u>	<u>\$ 108,013</u>

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 2,595	\$ 3,998	\$ (450)	\$ 6,143	\$ (708)	\$ 5,435
Unamortized premium	<u>199</u>	<u>312</u>	<u>(11)</u>	<u>500</u>	<u>(27)</u>	<u>473</u>
Subtotal	2,794	4,310	(461)	6,643	(735)	5,908
Net pension liability	628	-	(270)	358	-	358
Net OPEB liability	533	-	(10)	523	-	523
Compensated absences	<u>105</u>	<u>43</u>	<u>(5)</u>	<u>143</u>	<u>(7)</u>	<u>136</u>
Totals	<u>\$ 4,060</u>	<u>\$ 4,353</u>	<u>\$ (746)</u>	<u>\$ 7,667</u>	<u>\$ (742)</u>	<u>\$ 6,925</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.

## **13. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are

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

#### **14. 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, 2021:

##### ***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes 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 and special purpose stabilization 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, general stabilization funds and deficits.

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

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Permanent funds	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	166,460	166,460
<b>Restricted</b>					
Bonded projects	-	-	-	460,253	460,253
Debt service	695,650	-	-	-	695,650
Special revenue funds:					
Community preservation	-	-	5,671,925	-	5,671,925
Ambulance funds	-	-	-	1,503,441	1,503,441
Cable access funds	-	-	-	604,209	604,209
Town revolving funds	-	-	-	623,779	623,779
Other special revenue funds	-	-	-	2,088,263	2,088,263
Trust funds:					
Affordable housing trust fund	-	-	-	1,030,465	1,030,465
John Curtis library trust fund	-	-	-	1,153,801	1,153,801
Building insurance trust fund	-	-	-	40,019	40,019
Permanent funds	-	-	-	74,191	74,191
Total Restricted	695,650	-	5,671,925	7,578,421	13,945,996
<b>Committed</b>					
Continued appropriations:					
General government	595,614	-	-	-	595,614
Public safety	39,364	-	-	-	39,364
Public works	303,241	-	-	-	303,241
Capital stabilization*	737,123	-	-	-	737,123
Town sick leave trust fund*	547,854	-	-	-	547,854
School sick leave trust fund*	370,057	-	-	-	370,057
Special education stabilization*	210,000	-	-	-	210,000
Wind turbine stabilization*	66,985	-	-	-	66,985
Total Committed	2,870,238	-	-	-	2,870,238
<b>Assigned</b>					
Encumbrances:					
General government	6,547	-	-	-	6,547
Public safety	170,797	-	-	-	170,797
Hanover Public Schools	11,644	-	-	-	11,644
Public works	80,712	-	-	-	80,712
Culture and recreation	165	-	-	-	165
Employee benefits	26,515	-	-	-	26,515
Reserved for expenditures	1,640,000	-	-	-	1,640,000
Total Assigned	1,936,380	-	-	-	1,936,380
<b>Unassigned</b>					
General stabilization fund	2,235,624	-	-	-	2,235,624
Special revenue funds	-	-	-	(1,842,365)	(1,842,365)
Capital projects	-	(1,085,335)	-	(447,384)	(1,532,719)
Unassigned	9,053,707	-	-	-	9,053,707
Total Unassigned	11,289,331	(1,085,335)	-	(2,289,749)	7,914,247
<b>Total Fund Balances</b>	<b>\$ 16,791,599</b>	<b>\$ (1,085,335)</b>	<b>\$ 5,671,925</b>	<b>\$ 5,455,132</b>	<b>\$ 26,833,321</b>

\* 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.

## 15. Plymouth County 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 member's 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, 2021 was \$3,778,828, 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, 2021, the Town reported a liability of \$27,555,670 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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, 2020, the Town's proportion was 4.701%, which was an increase of 0.102% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$3,058,178. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,297,147	\$ -
Changes of assumptions	288,152	-
Net difference between projected and actual earnings on pension plan investments	-	(2,734,372)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>531,408</u>	<u>(45,663)</u>
Total	<u>\$ 3,116,707</u>	<u>\$ (2,780,035)</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	\$ 888,545
2022	1,054,342
2023	(1,102,196)
2024	<u>(504,019)</u>
Total	<u>\$ 336,672</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	27.00%	6.80%
International developed equity	4.00%	7.10%
Emerging markets equity	10.00%	8.10%
Global equity	11.00%	7.10%
Core bonds	9.00%	1.80%
Value-added fixed income	9.00%	4.00%
Hedge funds	6.00%	4.30%
Real estate	9.00%	6.90%
Private equity	8.00%	9.10%
Real assets	6.00%	8.10%
Cash	1.00%	0.00%
	<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:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.875%)</u>	<u>(7.875%)</u>	<u>(8.875%)</u>
\$38,116,442	\$27,555,670	\$ 20,103,644

***Pension Plan Fiduciary Net Position***

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

**16. 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, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25) 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 Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (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, 2021 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%	4.80%
Portfolio completion strategies	11.00%	3.20%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
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 7.15%. 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:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

### ***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 2020 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$84,195,191 based on a proportionate share of 0.294958%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of \$4,581,969 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$10,399,312 as both a revenue and expense in the governmental activities.

## **17. 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 GASB 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*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

### ***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, 2021, 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>1,007</u>

### *Investments*

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

*Rate of return.* For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 24.99%. 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	6.84%, net of OPEB plan investment expense
Municipal bond rate	2.18%
Discount rate	5.00%
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, 2021 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	50.25%	4.90%
Domestic equity - Small/mid cap	7.50%	5.40%
International equity - Developed market	5.00%	5.32%
International equity - Emerging market	4.25%	6.26%
Domestic fixed income	14.75%	1.40%
International fixed income	1.50%	1.30%
Alternatives	12.00%	6.32%
Real estate	3.25%	6.25%
Cash and cash equivalents	1.50%	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 5.00%. 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 6.84% and municipal bond rate of 2.18% (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, 2021, were as follows:

Total OPEB liability	\$ 43,984,042
Plan fiduciary net position	<u>4,768,335</u>
Net OPEB liability	<u>\$ 39,215,707</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.84%

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	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances, beginning of year	\$ 43,495,539	\$ 3,474,812	\$ 40,020,727
Changes for the year:			
Service cost	1,486,562	-	1,486,562
Interest	2,102,036	-	2,102,036
Contributions - employer	-	1,865,258	(1,865,258)
Net investment income	-	902,788	(902,788)
Changes in assumptions or other inputs	(1,625,572)	-	(1,625,572)
Benefit payments	<u>(1,474,523)</u>	<u>(1,474,523)</u>	<u>-</u>
Net Changes	<u>488,503</u>	<u>1,293,523</u>	<u>(805,020)</u>
Balances, end of year	<u>\$ 43,984,042</u>	<u>\$ 4,768,335</u>	<u>\$ 39,215,707</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.75% in 2020 to 5.00% in 2021.

***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 <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
\$ 45,726,521	\$ 39,215,707	\$ 33,854,981

***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:

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$ 33,162,016	\$ 39,215,707	\$ 46,773,607

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$3,482,436. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 138,783	\$ -
Change in assumptions	2,079,276	(1,637,672)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(504,810)</u>
Total	\$ <u>2,218,059</u>	\$ <u>(2,142,482)</u>

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

<u>Year Ended June 30:</u>	
2022	\$ 144,655
2023	166,630
2024	142,733
2025	(191,424)
2026	<u>(187,017)</u>
Total	\$ <u>75,577</u>

#### 18. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

#### 19. Subsequent Events

Management has evaluated subsequent events through October 21, 2022 which is the date the financial statements were available to be issued.

##### ***Debt***

Subsequent to June 30, 2021, 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>
General obligation bond	\$ 5,805,000	5.00%	02/02/22	10/15/31

#### 20. 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 remains 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 \$296,380 in encumbrances that will be honored in the next fiscal year.

**21. Beginning Fund Balance Restatement**

The beginning (July 1, 2020) fund balance of the Town has been restated as follows:

	Governmental Activities
Government-Wide Financial Statements:	
As previously reported	\$ 36,915,185
Implementation of GASB 84	<u>207,753</u>
As restated	<u>\$ 37,122,938</u>
	Nonmajor Governmental Funds
Fund Basis Financial Statements:	
As previously reported	\$ 5,393,636
Implementation of GASB 84	<u>207,753</u>
As restated	<u>\$ 5,601,389</u>

## **22. New Pronouncements**

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. Management has not evaluated the effects this standard will have on the financial statements.

**TOWN OF HANOVER, MASSACHUSETTS**

Required Supplementary Information  
General Fund  
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses)  
Budget and Actual  
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 48,155,404	\$ 48,155,404	\$ 48,771,628	\$ 616,224
Excise taxes	2,708,349	2,708,349	3,229,267	520,918
Penalties, interest, and other taxes	346,814	346,814	412,288	65,474
Charges for services	130,000	130,000	316,759	186,759
Licenses and permits	561,801	561,801	1,794,726	1,232,925
Fines and forfeitures	96,619	96,619	31,779	(64,840)
Intergovernmental	9,289,541	9,289,541	10,423,002	1,133,461
Investment income	200,000	200,000	68,283	(131,717)
Miscellaneous	185,942	185,942	346,610	160,668
Total Revenues	61,674,470	61,674,470	65,394,342	3,719,872
<b>Expenditures</b>				
General government				
Personal services	298,606	433,631	359,657	73,974
General expense	180,900	297,793	253,919	43,874
Articles	600,000	600,000	600,000	-
Finance department				
Personal services	896,924	896,924	831,398	65,526
General expense	233,294	233,294	228,874	4,420
Articles	600	600	600	-
Police				
Personal services	4,130,908	4,130,908	4,078,715	52,193
General expense	286,158	286,158	260,263	25,895
Fire				
Personal services	3,299,603	3,299,603	3,268,570	31,033
General expense	315,650	315,650	274,388	41,262
CDMI				
Personal services	549,077	549,077	535,897	13,180
General expense	29,850	29,850	22,045	7,805
Library				
Personal services	374,196	374,196	357,927	16,269
General expense	167,800	167,800	77,510	90,290
Community Resources				
Personal services	303,461	303,461	295,100	8,361
General expense	202,080	202,080	167,831	34,249
Hanover Public Schools				
Operating budget	29,816,940	29,816,940	29,761,294	55,646
Other education - South Shore Vocational	728,050	728,050	728,050	-
Public works				
Personal services	3,452,212	3,452,212	3,446,463	5,749
General expense	3,124,491	3,124,491	2,920,880	203,611
Snow & Ice				
Personal services	111,750	111,750	103,557	8,193
General expense	388,250	388,250	346,784	41,466
Town wide expenses				
General expense	9,090,828	9,088,910	8,750,193	338,717
Debt	5,817,057	5,817,057	5,628,291	188,766
State assessments	765,067	765,067	726,125	38,942
County assessments	61,020	61,020	56,718	4,302
Total Expenditures	65,224,772	65,474,772	64,081,049	1,393,723
Excess of revenues over depreciation	(3,550,302)	(3,800,302)	1,313,293	5,113,595

(continued)

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

**TOWN OF HANOVER, MASSACHUSETTS**

Required Supplemental Information  
General Fund

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

(continued)

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources/Uses</b>				
Transfers in	1,760,424	1,760,424	1,760,424	-
Transfers out	(250,000)	-	-	-
Use of free cash				
Operating budget	1,689,878	1,689,878	1,689,878	-
Transfers to stabilization and trust funds	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>3,550,302</u>	<u>3,800,302</u>	<u>3,800,302</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,113,595</u>	\$ <u>5,113,595</u>

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

**TOWN OF HANOVER, MASSACHUSETTS**

Community Preservation Fund – Major Special Revenue Fund  
Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 1,134,326	\$ 1,134,326	\$ 1,160,996	\$ 26,670
Intergovernmental	<u>215,522</u>	<u>215,522</u>	<u>401,276</u>	<u>185,754</u>
Total Revenues and Other Sources	1,349,848	1,349,848	1,562,272	212,424
<b>Expenditures</b>				
Projects, acquisition, debt service, and other	365,100	365,100	365,100	-
Administration	67,698	67,698	67,698	-
Budgeted reserve to be appropriated:				
Reserves	-	-	-	-
Budgeted reserve	<u>917,050</u>	<u>917,050</u>	<u>917,050</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,349,848</u>	<u>1,349,848</u>	<u>1,349,848</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	212,424	212,424
<b>Other Financing Sources/Uses</b>				
Use of fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,424</u>	<u>\$ 212,424</u>

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

**Notes to the Required Supplementary 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>
GAAP basis	\$ 70,482,433	\$ 68,728,494	\$ 1,236,629
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,262,589)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,234,599	-
To record use of free cash	-	-	2,039,978
To reclassify overhead costs	(463,395)	60,400	523,795
To remove unbudgeted stabilization fund	(42,727)	(132,210)	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,581,969)	(4,581,969)	-
Other timing issues and reclassifications	-	34,324	(100)
Budgetary basis	<u>\$ 65,394,342</u>	<u>\$ 64,081,049</u>	<u>\$ 3,800,302</u>

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

**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, 2021	December 31, 2020	4.701%	\$27,555,670	\$16,723,142	164.78%	67.90%
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, 2021	June 30, 2020	0.294958%	\$ -	\$ 84,195,191	\$ 84,195,191	\$ 22,348,280	-	50.67%
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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's 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, 2021	December 31, 2020	\$ 3,778,828	\$ 3,778,828	\$ -	\$ 17,092,306	22.11%
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, 2021	June 30, 2020	\$ 4,581,969	\$ 4,581,969	\$ -	\$ 22,348,280	20.50%
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 Auditor's Report.



**TOWN OF HANOVER, MASSACHUSETTS**

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

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 1,486,562	\$ 1,395,101	\$ 1,333,347	\$ 1,156,338
Interest	2,102,036	1,812,913	1,841,927	1,845,453
Differences between expected and actual experience	-	214,827	-	-
Changes of assumptions	(1,625,572)	(464,091)	3,903,198	-
Benefit payments, including refunds of member contributions	<u>(1,474,523)</u>	<u>(1,434,837)</u>	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in total OPEB liability	488,503	1,523,913	5,869,139	1,843,541
Total OPEB liability - beginning	<u>43,495,539</u>	<u>41,971,626</u>	<u>36,102,487</u>	<u>34,258,946</u>
Total OPEB liability - ending (a)	43,984,042	43,495,539	41,971,626	36,102,487
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	1,865,258	1,894,607	1,729,648	3,323,994
Net investment income	902,788	210,290	43,103	75,590
Benefit payments, including refunds of member contributions	<u>(1,474,523)</u>	<u>(1,434,837)</u>	<u>(1,209,333)</u>	<u>(1,158,250)</u>
Net change in plan fiduciary net position	1,293,523	670,060	563,418	2,241,334
Plan fiduciary net position - beginning	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>4,768,335</u>	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability - ending (a-b)	\$ <u>39,215,707</u>	\$ <u>40,020,727</u>	\$ <u>39,166,874</u>	\$ <u>33,861,153</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 Auditor's 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 43,984,042	\$ 43,495,539	\$ 41,971,626	\$ 36,102,487
Plan fiduciary net position	<u>4,768,335</u>	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability	<u>\$ 39,215,707</u>	<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	10.84%	7.99%	6.68%	6.21%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 3,190,461	\$ 3,810,078	\$ 3,572,462	\$ 3,278,808
Contributions in relation to the actuarially determined contribution	<u>1,865,258</u>	<u>1,894,607</u>	<u>1,729,648</u>	<u>3,323,994</u>
Contribution deficiency (excess)	<u>\$ 1,325,203</u>	<u>\$ 1,915,471</u>	<u>\$ 1,842,814</u>	<u>\$ (45,186)</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	24.99%	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.*

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