

**TOWN OF HANOVER**  
**AFFORDABLE HOUSING TRUST FUND**

Financial Statements  
For the Year Ended June 30, 2022

(With Independent Accountants' Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Trustees  
Town of Hanover Affordable Housing Trust Fund

### Opinion

We have audited the financial statements of the Town of Hanover Affordable Housing Trust Fund (the Trust) (a trust fund of the Town of Hanover, Massachusetts) as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town of Hanover Affordable Housing Trust Fund, as of June 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Hanover Affordable Housing Trust to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

The Trust's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's



ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### **Emphasis of Matter**

The financial statements present only the Town of Hanover Affordable Housing Trust (a trust fund of the Town of Hanover, Massachusetts) and do not purport to, and do not, present fairly the financial position of the Town of Hanover, Massachusetts as of June 30, 2022, and the changes in its financial position for the year ended then in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



Andover, Massachusetts  
June 15, 2023

**TOWN OF HANOVER AFFORDABLE HOUSING TRUST**

Balance Sheet  
June 30, 2022

**Assets**

Cash and short-term investments	\$ 1,454,708
Loan receivable	<u>296,000</u>
Total Assets	<u>\$ 1,750,708</u>

**Liabilities**

Due to Town of Hanover	\$ <u>10,830</u>
Total Liabilities	10,830

**Fund Balance**

Restricted	<u>1,739,878</u>
Total Fund Balance	<u>1,739,878</u>
Total Liabilities and Fund Balance	<u>\$ 1,750,708</u>

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

**TOWN OF HANOVER AFFORDABLE HOUSING TRUST**

Statement of Revenues, Expenditures, and Change in Fund Balances  
For the Year Ended June 30, 2022

**Revenues**

Donations	\$ 10,000
Interest income	<u>802</u>
Total Revenues	10,802

**Expenditures**

Salary reimbursement	<u>3,080</u>
Total Expenditures	<u>3,080</u>

Excess of revenues over expenditures	7,722
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**Other Financing Sources (Uses)**

Transfers in	<u>704,000</u>
Total Other Financing Sources (Uses)	<u>704,000</u>

Change in fund balance	711,722
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Fund Balance, at Beginning of Year	<u>1,028,156</u>
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Fund Balance, at End of Year	<u><u>\$ 1,739,878</u></u>
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The accompanying notes are an integral part of these financial statements.

## TOWN OF HANOVER AFFORDABLE HOUSING TRUST FUND

### Notes to Financial Statements

#### 1. Organization

The Hanover Affordable Housing Trust (the Trust) was authorized by approval of Article 69 of the May 11, 2009 Town of Hanover, Massachusetts (the Town) Town Meeting to accept Chapter 44, Section 55C of Massachusetts General laws.

The purpose of the Trust is to provide for the creation and preservation of affordable housing in the Town of Hanover, Massachusetts for low and moderate income households. As used in this act, the term “low or moderate income housing” shall mean “low-income housing” or “moderate-income housing” as defined in Massachusetts General Laws, Chapter 44B, Section 2.

#### 2. Summary of Significant Accounting Policies

The accounting policies of the Trust conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of significant accounting policies of the Trust:

##### ***Basis of Accounting***

The Trust’s financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.



### **3. Cash and Short-Term Investments**

The Trust's cash as of June 30, 2022 is held by the Treasurer of the Town.

#### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned. Massachusetts General Laws Chapter 44, Section 55, limit the Trust'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 Trust does not have a policy for custodial credit risk for deposits.

As of June 30, 2022, none of the Trust's bank balance of \$1,454,708 was exposed to custodial credit risk as uninsured and/or uncollateralized.

### **4. Loan Receivable**

The loan receivable balance of \$296,600 at June 30, 2022 is in connection with an agreement between the Trust and Kennedy Building LLC signed April 2013 and amended May 2017. The remaining balance of loan is to be dispersed by the Trust after specific permits have been issued. As of the date of the financial statements, the repayment schedule has not been finalized.

### **5. Restricted Fund Balance**

Restricted fund balance 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.

### **6. Transfers In**

The transfer in of \$704,000 at June 30, 2022 represents a transfer from the Town's Community Housing Reserve Fund to the Trust to provide for the preservation of affordable housing in the Town.

### **7. Subsequent Events**

Management has evaluated subsequent events through June 15, 2023, which is the date the financial statements were available to be issued.