



TOWN OF HANOVER, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2022

(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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and 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 opinions.

Responsibilities of Management for the Financial Statements

The Town'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.

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Andover, Massachusetts
Greenfield, Massachusetts
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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 Town'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 opinions. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Town'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 Town'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.



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 certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence 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 June 15, 2023 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
June 15, 2023

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, 2022.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows and 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 the 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 Town's near-term financing decisions. Reconciliations are provided to facilitate the 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 the Town's 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 \$35,076,598, a change of \$(4,186,583), and net position in business-type activities was \$8,754,429, a change of \$56,782.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$29,767,642, a change of \$2,934,321 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,928,476, a change of \$(1,360,855) in comparison to the prior year.

Government-Wide Financial Analysis

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

NET POSITION (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 35,826	\$ 34,173	\$ 4,131	\$ 4,453	\$ 39,957	\$ 38,626
Capital assets	<u>117,114</u>	<u>121,797</u>	<u>12,036</u>	<u>12,194</u>	<u>129,150</u>	<u>133,991</u>
Total Assets	152,940	155,970	16,167	16,647	169,107	172,617
Deferred Outflows of Resources	7,507	5,265	125	70	7,632	5,335
Liabilities						
Other liabilities	3,996	5,250	104	171	4,100	5,421
Long-term liabilities	<u>107,736</u>	<u>111,605</u>	<u>7,113</u>	<u>7,667</u>	<u>114,849</u>	<u>119,272</u>
Total Liabilities	111,732	116,855	7,217	7,838	118,949	124,693
Deferred Inflows of Resources	13,638	5,116	321	181	13,959	5,297
Net Position						
Net investment in capital assets	77,164	81,442	8,199	7,812	85,363	89,254
Restricted	14,764	13,417	-	-	14,764	13,417
Unrestricted	<u>(56,851)</u>	<u>(55,595)</u>	<u>555</u>	<u>886</u>	<u>(56,296)</u>	<u>(54,709)</u>
Total Net Position	\$ <u>35,077</u>	\$ <u>39,264</u>	\$ <u>8,754</u>	\$ <u>8,698</u>	\$ <u>43,831</u>	\$ <u>47,962</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 \$43,831,027, a change of \$(4,129,801) in comparison to the prior year.

The largest portion of net position, \$85,363,695, 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 \$14,763,377 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 \$(56,296,045) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues						
Program revenues:						
Charges for services	\$ 6,571	\$ 6,684	\$ 4,478	\$ 4,449	\$ 11,049	\$ 11,133
Operating grants and contributions	20,312	22,590	-	-	20,312	22,590
Capital grants and contributions	754	1,300	-	-	754	1,300
General revenues:						
Property taxes	50,271	49,665	-	-	50,271	49,665
Excises	3,098	3,046	-	-	3,098	3,046
Penalties and interest on taxes	262	317	-	-	262	317
Grants and contributions not restricted to specific programs	3,410	2,974	-	-	3,410	2,974
Investment income	11	427	-	-	11	427
Miscellaneous	<u>486</u>	<u>541</u>	<u>-</u>	<u>-</u>	<u>486</u>	<u>541</u>
Total Revenues	85,175	87,544	4,478	4,449	89,653	91,993

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Expenses						
General government	6,714	6,920	-	-	6,714	6,920
Public safety	13,307	13,099	-	-	13,307	13,099
Education	59,320	57,297	-	-	59,320	57,297
Public works	5,375	3,816	-	-	5,375	3,816
Human services	1,097	1,092	-	-	1,097	1,092
Culture and recreation	1,522	1,190	-	-	1,522	1,190
Interest on long-term debt	1,190	1,146	-	-	1,190	1,146
Intergovernmental	784	783	-	-	784	783
Water services	<u>-</u>	<u>-</u>	<u>4,475</u>	<u>3,949</u>	<u>4,475</u>	<u>3,949</u>
Total Expenses	<u>89,309</u>	<u>85,343</u>	<u>4,475</u>	<u>3,949</u>	<u>93,784</u>	<u>89,292</u>
Change in Net Position Before Transfers	(4,134)	2,201	3	500	(4,131)	2,701
Transfers In (Out)	<u>(53)</u>	<u>(60)</u>	<u>53</u>	<u>60</u>	<u>-</u>	<u>-</u>
Change in Net Position	(4,187)	2,141	56	560	(4,131)	2,701
Net Position - Beginning of Year	<u>39,264</u>	<u>37,123</u>	<u>8,698</u>	<u>8,138</u>	<u>47,962</u>	<u>45,261</u>
Net Position - End of Year	<u>\$ 35,077</u>	<u>\$ 39,264</u>	<u>\$ 8,754</u>	<u>\$ 8,698</u>	<u>\$ 43,831</u>	<u>\$ 47,962</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(4,186,583). Key elements of this change are as follows:

Increase in OPEB expense from GASB 75	\$ (7,256,520)
Decrease in pension expense from GASB 68	1,762,197
Revenues recognized in the School Capital Project Fund	754,192
CPA revenues greater than expenditures	438,932
Other	<u>114,616</u>
Total	<u>\$ (4,186,583)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$56,782. 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 the 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 \$9,928,476, while total fund balance was \$16,937,154. Unassigned fund balance decreased by \$(1,360,855) primarily from favorable budgetary results of \$1,870,103, less \$3,568,681 used to supplement the fiscal year 2023 budget. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 9,928,476	\$ 11,289,331	\$ (1,360,855)	15.1%
Total fund balance	\$ 16,937,154	\$ 16,791,599	\$ 145,555	25.7%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$5,110,618.

The total fund balance of the General Fund changed by \$145,555 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,856,434)
Revenue surplus	1,178,788
Appropriation turnbacks by departments	691,315
Change in stabilization	(120,455)
Other	<u>252,341</u>
Total	<u>\$ 145,555</u>

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

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>
General stabilization (unassigned)	\$ 2,201,254	\$ 2,235,624	\$ (34,370)
Capital stabilization (committed)	743,951	737,123	6,828
Town sick leave trust fund (committed)	514,874	547,854	(32,980)
School sick leave trust fund (committed)	360,113	370,057	(9,944)
Special education stabilization (committed)	160,000	210,000	(50,000)
Wind turbine stabilization (committed)	<u>66,996</u>	<u>66,985</u>	<u>11</u>
Total	<u>\$ 4,047,188</u>	<u>\$ 4,167,643</u>	<u>\$ (120,455)</u>

Other Major Funds

The School Capital Project Fund reports activities related to the High School construction and Sylvester School renovation projects. The fund balance of the School Capital Project fund changed by \$754,192 as a result of grant revenue received during fiscal year 2022.

State legislation allows Community Preservation Act property taxes and state matching funds to finance projects such as preservation of historical buildings. The fund balance of the Community Preservation Act fund changed by \$438,932 due primarily to property tax revenues in excess of 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 \$1,595,642 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

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 \$555,095, a change of \$(330,757) in comparison to the prior year.

The Town saw an increased amount of revenue in the Water Fund in fiscal years 2020 and 2021, and therefore, budgeted for this increase in fiscal year 2022. In fiscal year 2022, the Town saw a decrease in usage proportional to the increase in rates, causing a budget shortfall of (85,617).

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

Differences between the original and final amended budgets resulted in an overall change in appropriations of \$1,044,745 related to prior year encumbrances.

Charges for services revenue present a shortfall of (427,531) primarily due to the approval of construction and demolition debris disposal with a new, higher fee. The budget was based on old usage, but at the higher fee, usage decreased significantly. This estimate has been adjusted for fiscal year 2023.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$129,150,490 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings and system improvements, machinery, equipment, and furnishings, vehicles, and infrastructure.

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 \$42,321,100, all of which was backed by the full faith and credit of the Town.

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

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

Requests for Information

This financial report is designed to provide a general overview of the Town of Hanover's finances for all those with an interest in the 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, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 27,949,362	\$ 2,586,812	\$ 30,536,174
Investments	4,756,181	-	4,756,181
Receivables, net of allowance for uncollectibles:			
Property taxes	445,990	-	445,990
Excises	402,898	-	402,898
User fees	-	1,543,573	1,543,573
Departmental and other	617,002	-	617,002
Intergovernmental	762,510	-	762,510
Other assets	<u>110,438</u>	<u>-</u>	<u>110,438</u>
Total Current Assets	35,044,381	4,130,385	39,174,766
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	781,628	-	781,628
Capital Assets:			
Land and construction in progress	10,567,300	3,500,422	14,067,722
Other assets, net of accumulated depreciation	<u>106,546,709</u>	<u>8,536,059</u>	<u>115,082,768</u>
Total Noncurrent Assets	<u>117,895,637</u>	<u>12,036,481</u>	<u>129,932,118</u>
Total Assets	152,940,018	16,166,866	169,106,884
Deferred Outflows of Resources			
Related to pension	3,203,866	53,419	3,257,285
Related to OPEB	<u>4,303,207</u>	<u>71,749</u>	<u>4,374,956</u>
Total Deferred Outflows of Resources	7,507,073	125,168	7,632,241

(continued)

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

TOWN OF HANOVER, MASSACHUSETTS

Statement of Net Position
June 30, 2022

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants and accounts payable	600,095	103,303	703,398
Accrued liabilities	1,418,525	-	1,418,525
Notes payable	1,303,171	-	1,303,171
Other current liabilities	674,623	-	674,623
Current portion of long-term liabilities:			
Bonds and loans payable	3,469,009	729,464	4,198,473
Compensated absences	<u>138,911</u>	<u>5,841</u>	<u>144,752</u>
Total Current Liabilities	7,604,334	838,608	8,442,942
Noncurrent:			
Bonds and loans payable, net of current portion	36,414,825	5,182,261	41,597,086
Compensated absences, net of current portion	2,639,299	110,980	2,750,279
Net pension liability	22,212,148	370,353	22,582,501
Net OPEB liability	<u>42,862,237</u>	<u>714,661</u>	<u>43,576,898</u>
Total Noncurrent Liabilities	<u>104,128,509</u>	<u>6,378,255</u>	<u>110,506,764</u>
Total Liabilities	111,732,843	7,216,863	118,949,706
Deferred Inflows of Resources			
Related to pension	6,094,672	101,619	6,196,291
Related to OPEB	7,316,126	121,985	7,438,111
Deferred amount on refunding	<u>226,852</u>	<u>97,138</u>	<u>323,990</u>
Total Deferred Inflows of Resources	13,637,650	320,742	13,958,392
Net Position			
Net investment in capital assets	77,164,361	8,199,334	85,363,695
Restricted for:			
Grants and other statutory restrictions	2,528,973	-	2,528,973
Community preservation fund	6,110,858	-	6,110,858
Receipts received for appropriation	3,121,760	-	3,121,760
Affordable housing trust	1,692,340	-	1,692,340
John Curtis library trust	1,070,535	-	1,070,535
Permanent funds:			
Nonexpendable	166,460	-	166,460
Expendable	72,451	-	72,451
Unrestricted	<u>(56,851,140)</u>	<u>555,095</u>	<u>(56,296,045)</u>
Total Net Position	\$ <u><u>35,076,598</u></u>	\$ <u><u>8,754,429</u></u>	\$ <u><u>43,831,027</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Governmental Activities					
General government	\$ 6,714,014	\$ 644,608	\$ 1,950,610	\$ -	\$ (4,118,796)
Public safety	13,307,207	2,956,828	877,533	-	(9,472,846)
Education	59,320,134	2,550,355	16,298,907	754,192	(39,716,680)
Public works	5,375,496	265,483	843,851	-	(4,266,162)
Health and human services	1,096,816	111,064	225,457	-	(760,295)
Culture and recreation	1,521,796	42,607	115,799	-	(1,363,390)
Interest on long-term debt	1,190,031	-	-	-	(1,190,031)
Intergovernmental	<u>783,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(783,443)</u>
Total Governmental Activities	89,308,937	6,570,945	20,312,157	754,192	(61,671,643)
Business-Type Activities					
Water services	<u>4,474,104</u>	<u>4,477,547</u>	<u>-</u>	<u>-</u>	<u>3,443</u>
Total Business-Type Activities	<u>4,474,104</u>	<u>4,477,547</u>	<u>-</u>	<u>-</u>	<u>3,443</u>
Total	<u>\$ 93,783,041</u>	<u>\$ 11,048,492</u>	<u>\$ 20,312,157</u>	<u>\$ 754,192</u>	<u>(61,668,200)</u>

(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, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (61,671,643)	\$ 3,443	\$ (61,668,200)
General Revenues and Transfers:			
Property taxes	50,271,104	-	50,271,104
Excise taxes	3,097,816	-	3,097,816
Penalties, interest and other taxes	262,230	-	262,230
Grants and contributions not restricted to specific programs	3,410,280	-	3,410,280
Investment income	10,893	189	11,082
Other	485,887	-	485,887
Transfers	<u>(53,150)</u>	<u>53,150</u>	<u>-</u>
Total General Revenues and Transfers	<u>57,485,060</u>	<u>53,339</u>	<u>57,538,399</u>
Change in Net Position	(4,186,583)	56,782	(4,129,801)
Net Position:			
Beginning of Year	<u>39,263,181</u>	<u>8,697,647</u>	<u>47,960,828</u>
End of Year	<u>\$ 35,076,598</u>	<u>\$ 8,754,429</u>	<u>\$ 43,831,027</u>

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

TOWN OF HANOVER, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 15,801,682	\$ 872,028	\$ 6,111,991	\$ 5,163,661	\$ 27,949,362
Investments	3,706,054	-	-	1,050,127	4,756,181
Receivables:					
Property taxes	1,479,618	-	-	-	1,479,618
Excises	493,335	-	-	1,663	494,998
Departmental and other	-	-	10,484	606,518	617,002
Intergovernmental	-	-	-	762,510	762,510
Due from other funds	10,830	-	-	-	10,830
Other assets	-	-	-	110,438	110,438
Total Assets	\$ 21,491,519	\$ 872,028	\$ 6,122,475	\$ 7,694,917	\$ 36,180,939
Liabilities					
Warrants and accounts payable	\$ 514,176	\$ -	\$ 1,135	\$ 84,785	\$ 600,096
Accrued liabilities	1,418,525	-	-	-	1,418,525
Due to other funds	-	-	-	10,830	10,830
Notes payable	-	1,203,171	-	100,000	1,303,171
Other liabilities	609,572	-	-	25,910	635,482
Total Liabilities	2,542,273	1,203,171	1,135	221,525	3,968,104
Deferred Inflows of Resources					
Unavailable revenues	2,012,092	-	10,483	422,618	2,445,193
Fund Balances					
Nonspendable	-	-	-	166,460	166,460
Restricted	568,700	-	6,110,857	9,373,261	16,052,818
Committed	3,782,818	-	-	-	3,782,818
Assigned	2,657,160	-	-	-	2,657,160
Unassigned	9,928,476	(331,143)	-	(2,488,947)	7,108,386
Total Fund Balances	16,937,154	(331,143)	6,110,857	7,050,774	29,767,642
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,491,519	\$ 872,028	\$ 6,122,475	\$ 7,694,917	\$ 36,180,939

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, 2022

Total Governmental Fund Balances	\$ 29,767,642
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	117,114,009
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,061,952
<ul style="list-style-type: none">• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds and loans payable	(40,110,686)
Compensated absences	(2,778,209)
Net pension liability and related deferrals	(25,102,954)
Net OPEB liability and related deferrals	<u>(45,875,156)</u>
Net Position of Governmental Activities	<u>\$ 35,076,598</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, 2022

	<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>
Revenues					
Property taxes	\$ 49,246,193	\$ -	\$ 1,183,389	\$ -	\$ 50,429,582
Excises	2,910,487	-	-	16,244	2,926,731
Penalties, interest, and other taxes	262,210	-	-	20	262,230
Charges for services	394,963	-	-	5,282,621	5,677,584
Intergovernmental	15,621,217	754,192	636,987	7,248,965	24,261,361
Licenses and permits	875,411	-	-	14,900	890,311
Fines and forfeitures	44,061	-	-	-	44,061
Investment income (loss)	93,308	-	-	(82,415)	10,893
Miscellaneous	<u>372,071</u>	<u>-</u>	<u>-</u>	<u>113,816</u>	<u>485,887</u>
Total Revenues	69,819,921	754,192	1,820,376	12,594,151	84,988,640
Expenditures					
Current:					
General government	2,970,981	-	331,294	2,365,907	5,668,182
Public safety	8,754,344	-	-	1,183,832	9,938,176
Education	39,899,613	-	-	6,669,047	46,568,660
Public works	3,934,236	-	-	327,314	4,261,550
Health and human services	558,148	-	-	258,128	816,276
Culture and recreation	679,536	-	-	341,746	1,021,282
Employee benefits	8,816,414	-	-	-	8,816,414
Miscellaneous	-	-	-	4,863	4,863
Debt service:					
Principal	3,027,577	-	300,000	-	3,327,577
Interest	1,498,596	-	46,150	-	1,544,746
Intergovernmental	<u>783,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>783,443</u>
Total Expenditures	<u>70,922,888</u>	<u>-</u>	<u>677,444</u>	<u>11,150,837</u>	<u>82,751,169</u>
Excess (Deficiency) of Revenues over Expenditures	(1,102,967)	754,192	1,142,932	1,443,314	2,237,471
Other Financing Sources (Uses)					
Issuance of bonds	4,896,020	-	-	750,000	5,646,020
Bond premiums	671,479	-	-	-	671,479
Payments to refunded escrow agent	(5,567,499)	-	-	-	(5,567,499)
Transfers in	1,301,672	-	-	704,000	2,005,672
Transfers out	<u>(53,150)</u>	<u>-</u>	<u>(704,000)</u>	<u>(1,301,672)</u>	<u>(2,058,822)</u>
Total Other Financing Sources (Uses)	<u>1,248,522</u>	<u>-</u>	<u>(704,000)</u>	<u>152,328</u>	<u>696,850</u>
Change in Fund Balance	145,555	754,192	438,932	1,595,642	2,934,321
Fund Balances, at Beginning 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>
Fund Balances, at End of Year	\$ <u>16,937,154</u>	\$ <u>(331,143)</u>	\$ <u>6,110,857</u>	\$ <u>7,050,774</u>	\$ <u>29,767,642</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, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,934,321
<ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	261,059
Depreciation	(4,943,846)
<ul style="list-style-type: none">The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Issuance of general obligation bonds and loans	(638,630)
Repayments of general obligation bonds and loans	3,211,700
Amortization of bond premium	235,683
Amortization of deferred amount on refunding	32,408
Other	91,131
<ul style="list-style-type: none">Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for certain types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue, net of change in allowance for doubtful accounts.	
	(28,404)
<ul style="list-style-type: none">Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in governmental funds.	
Change in pension expense from GASB 68	1,762,197
Change in OPEB expense from GASB 75	(7,256,520)
Compensated absences	152,318
Change in Net Position of Governmental Activities	\$ <u>(4,186,583)</u>

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

TOWN OF HANOVER, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	<u>Enterprise Funds</u>
	<u>Water</u> <u>Fund</u>
Assets	
Current:	
Cash and short-term investments	\$ 2,586,812
User fees, net of allowance for uncollectibles	<u>1,543,573</u>
Total Current Assets	4,130,385
Noncurrent:	
Capital Assets:	
Land and construction in progress	3,500,422
Other assets, net of accumulated depreciation	<u>8,536,059</u>
Total Noncurrent Assets	<u>12,036,481</u>
Total Assets	16,166,866
Deferred Outflows of Resources	
Related to pension	53,419
Related to OPEB	<u>71,749</u>
Total Deferred Outflows of Resources	125,168
Liabilities	
Current:	
Warrants payable	103,303
Current portion of long-term liabilities:	
Bonds payable	729,464
Compensated absences	<u>5,841</u>
Total current liabilities	838,608
Noncurrent:	
Bonds payable, net of current portion	5,182,261
Compensated absences, net of current portion	110,980
Net pension liability	370,353
Net OPEB liability	<u>714,661</u>
Total Noncurrent Liabilities	<u>6,378,255</u>
Total Liabilities	7,216,863
Deferred Inflows of Resources	
Related to pension	101,619
Related to OPEB	121,985
Deferred amount on refunding	<u>97,138</u>
Total Deferred Inflows of Resources	320,742
Net Position	
Invested in capital assets, net of related debt	8,199,334
Unrestricted	<u>555,095</u>
Total Net Position	<u>\$ 8,754,429</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 Net Position
For the Year Ended June 30, 2022

	<u>Enterprise Funds</u>
	<u>Water</u> <u>Fund</u>
Operating Revenues	
Charges for services	\$ 4,361,797
Other	<u>115,750</u>
Total Operating Revenues	4,477,547
Operating Expenses	
Salaries and benefits	1,977,775
Other operating expenses	1,909,940
Depreciation	<u>389,761</u>
Total Operating Expenses	<u>4,277,476</u>
Operating Income	200,071
Nonoperating Revenues (Expenses)	
Investment income	189
Interest expense	<u>(196,628)</u>
Total Nonoperating (Expenses), Net	<u>(196,439)</u>
Income Before Transfers	3,632
Transfers in	<u>53,150</u>
Change in Net Position	56,782
Net Position at Beginning of Year	<u>8,697,647</u>
Net Position at End of Year	<u>\$ 8,754,429</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, 2022

	<u>Enterprise Funds</u>
	<u>Water Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 4,514,876
Payments to vendors and employees	<u>(3,763,914)</u>
Net Cash Provided By Operating Activities	750,962
Cash Flows From Noncapital Financing Activities	
Transfers in	<u>53,150</u>
Net Cash Provided By Noncapital Financing Activities	53,150
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(232,546)
Principal payments on bonds	(730,989)
Interest expense	<u>(216,055)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,179,590)
Cash Flows From Investing Activities	
Investment income	<u>189</u>
Net Cash Provided By Investing Activities	<u>189</u>
Net Change in Cash and Short-Term Investments	(375,289)
Cash and Short-Term Investments, Beginning of Year	<u>2,962,101</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>2,586,812</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 200,071
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	389,761
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(52,266)
Deferred outflows - related to pension	(12,902)
Deferred outflows - related to OPEB	(42,196)
Warrants payable	(68,359)
Compensated absences	(26,354)
Net pension liability	12,129
Net OPEB liability	192,160
Deferred inflows - related to pension	65,479
Deferred inflows - related to OPEB	<u>93,439</u>
Net Cash Provided By Operating Activities	\$ <u><u>750,962</u></u>

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

TOWN OF HANOVER, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	OPEB <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ 773,271	\$ 98,291	\$ 163,742
Investments:			
Corporate bonds	250,776	-	-
Corporate equities	3,196,590	-	-
Equity mutual funds	427,049	-	-
Federal agency securities	107,502	-	-
U.S. treasury notes	<u>251,314</u>	<u>-</u>	<u>-</u>
Total Investments	<u>4,233,231</u>	<u>-</u>	<u>-</u>
Total Assets	5,006,502	98,291	163,742
Liabilities			
Warrants and accounts payable	<u>-</u>	<u>-</u>	<u>63,428</u>
Total Liabilities	-	-	63,428
Net Position			
Restricted for OPEB	5,006,502	-	-
Restricted for individuals and organizations	<u>-</u>	<u>98,291</u>	<u>100,314</u>
Total Net Position	\$ <u><u>5,006,502</u></u>	\$ <u><u>98,291</u></u>	\$ <u><u>100,314</u></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, 2022

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions			
Employer contributions	\$ 2,693,442	\$ 10,000	\$ -
Investment income (loss)	(861,568)	24	12
Fees collected for students	<u>-</u>	<u>-</u>	<u>296,206</u>
Total Additions	1,831,874	10,024	296,218
Deductions			
Benefit payments to plan members and beneficiaries	1,593,707	-	-
Payments on behalf of students	-	-	279,789
Other	<u>-</u>	<u>14,500</u>	<u>-</u>
Total Deductions	<u>1,593,707</u>	<u>14,500</u>	<u>279,789</u>
Change in Net Position	238,167	(4,476)	16,429
Restricted Net Position			
Beginning of Year	<u>4,768,335</u>	<u>102,767</u>	<u>83,885</u>
End of Year	<u>\$ 5,006,502</u>	<u>\$ 98,291</u>	<u>\$ 100,314</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, Massachusetts (the Town) 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 the significant policies of the Town.

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2022, no entities met the component unit requirements of GASB 14 (as amended).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. 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 Town'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 Water Fund is used to account for operation of the Town's water system and is reported as a major enterprise fund.

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

The Town reports the following fiduciary funds:

- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health insurance benefits for retired employees.
- The *Private-Purpose Trust Funds* are used to account for trust arrangements, other than those properly reported in a permanent fund, under which principal and investment income exclusively benefit individuals.
- The *Custodial Funds* 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 financial statements under the caption "cash and short-term investments."

For purpose of the Statement of Cash Flows, the proprietary fund considers investments with original maturities of three months or less to be short-term investments.

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. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Interfund Receivables

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This fund balance classification includes General Fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.
- *Restricted* represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes General Fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.
- *Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. This fund balance classification includes General Fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, special purpose stabilization funds, and various special revenue funds.
- *Assigned* represents amounts that are constrained by the Town’s intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance

in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

- *Unassigned* represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds. 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 GAAP 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. Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. 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, 2022. It is anticipated that the deficits in these funds will be eliminated through future departmental and grant revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

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 having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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.

Deposits

Custodial Credit Risk

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, 2022, none of the Town's bank balance of \$31,920,363 was exposed to custodial credit risk as uninsured and/or uncollateralized. \$5,268,058 of the Town's bank balance is on deposit with the Massachusetts Municipal Depository Trust, which is not subject to custodial credit risk disclosure.

Investments

The following is a summary of the Town's investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 1,108,929
Corporate equities	1,147,688
Equity mutual funds	472,974
Federal agency securities	241,026
Market-linked certificates of deposit	1,096,209
U.S. Treasury notes	<u>689,355</u>
Total	<u>\$ 4,756,181</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, 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, 2022, all of the Town's 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.

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 Town will only purchase investment grade securities with a high concentration in securities rated A or better. The Town 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, 2022, the credit quality ratings, as rated by S&P Global Ratings, of the Town's debt securities were 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	\$ 1,108,929	\$ 119,227	\$ 480,852	\$ 508,850	\$ -
Federal agency securities	241,026	241,026	-	-	-
Market linked certificates of deposit	<u>1,096,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,096,209</u>
Total	<u>\$ 2,446,164</u>	<u>\$ 360,253</u>	<u>\$ 480,852</u>	<u>\$ 508,850</u>	<u>\$ 1,096,209</u>

Concentration of Credit Risk

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 that may be invested 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, 2022, the Town did 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 at June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 1,108,929	\$ -	\$ 989,702	\$ 119,227
Federal agency securities	241,026	75,146	165,880	-
Market-linked certificates of deposit	1,096,209	1,047,998	48,211	-
U.S. Treasury notes	<u>689,355</u>	<u>340,480</u>	<u>348,875</u>	<u>-</u>
Total	\$ <u>3,135,519</u>	\$ <u>1,463,624</u>	\$ <u>1,552,668</u>	\$ <u>119,336</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town's investment policies state that the Town will limit investment in any instrument exposed to foreign currency risk.

At June 30, 2022, none of the Town's investments were 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 an 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 had the following fair value measurements as of June 30, 2022:

		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	\$ 1,108,929	\$ -	\$ 1,108,929	\$ -
Corporate equities	1,147,688	-	1,147,688	-
Equity mutual funds	472,974	472,974	-	-
Federal agency securities	241,026	-	241,026	-
Market-linked certificates of deposit	1,096,209	-	1,096,209	-
U.S. Treasury notes	<u>689,355</u>	<u>689,355</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,756,181</u>	\$ <u>1,162,329</u>	\$ <u>3,593,852</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 is 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, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 250,776
Corporate equities	3,196,590
Equity mutual funds	427,049
Federal agency securities	107,502
U.S. Treasury notes	<u>251,314</u>
Total	<u>\$ 4,233,231</u>

Custodial Credit Risk

As of June 30, 2022, 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 in Debt Securities

At June 30, 2022, the credit quality ratings as rated by S&P Global Ratings, of the OPEB Trust Fund's debt securities were as follows (All U.S. Treasury and agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>		
		<u>AAA</u>	<u>AA</u>	<u>A</u>
Corporate bonds	\$ 250,776	\$ 39,105	\$ 61,951	\$ 149,720
Federal agency securities	<u>107,502</u>	<u>107,502</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 358,278</u>	<u>\$ 146,607</u>	<u>\$ 61,951</u>	<u>\$ 149,720</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, 2022.

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 at June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	Thereafter
Corporate bonds	\$ 250,776	\$ 64,765	\$ 141,883	\$ 44,128	\$ -
Federal agency securities	107,502	19,988	67,448	20,066	-
U.S. Treasury notes	<u>251,314</u>	<u>49,883</u>	<u>145,074</u>	<u>56,357</u>	<u>-</u>
Total	\$ <u>609,592</u>	\$ <u>134,636</u>	\$ <u>354,405</u>	\$ <u>120,551</u>	\$ <u>-</u>

Foreign Currency Risk

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

At June 30, 2022, none of the OPEB Trust Fund's investments were exposed to foreign currency risk.

Fair Value

The OPEB Trust Fund had the following fair value measurements as of June 30, 2022:

		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	\$ 250,776	\$ -	\$ 250,776	\$ -
Corporate equities	3,196,590	-	3,196,590	-
Equity mutual funds	427,049	427,049	-	-
Federal agency securities	107,502	-	107,502	-
U.S. Treasury notes	<u>251,314</u>	<u>251,314</u>	<u>-</u>	<u>-</u>
Total	\$ 4,233,231	\$ 678,363	\$ 3,554,868	\$ -

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 on 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. The actual fiscal year 2022 tax levy reflected an excess capacity of \$913,979.

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, 2022 consisted of the following (in thousands):

	Gross Amount <u>(fund</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 481	\$ (123)	\$ 358	\$ -
Personal property taxes	63	(42)	21	-
Tax liens	869	(87)	-	782
Deferred taxes	<u>67</u>	<u>-</u>	<u>67</u>	<u>-</u>
Total property taxes	<u>\$ 1,480</u>	<u>\$ (252)</u>	<u>\$ 446</u>	<u>\$ 782</u>
Motor vehicle excise	\$ 492	\$ (90)	\$ 402	
Boat excise	2	(2)	-	
Waterways excise	<u>1</u>	<u>-</u>	<u>1</u>	
Total excises	<u>\$ 495</u>	<u>\$ (92)</u>	<u>\$ 403</u>	

6. User Fees Receivable

Receivables for user charges at June 30, 2022 consisted of the following (in thousands):

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Water charges and liens	<u>\$ 1,624</u>	<u>\$ (80)</u>	<u>\$ 1,544</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

8. Interfund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a schedule of interfund receivable and payable accounts at June 30, 2022:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,830	\$ -
Nonmajor Governmental Funds:		
Expendable Trust Fund	<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 a schedule of major interfund transfers for the year ended June 30, 2022:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,301,672	\$ 53,150
Community Preservation Fund	-	704,000
Nonmajor Governmental Funds:		
Affordable Housing Trust	704,000	-
Special Revenue Funds	<u>-</u>	<u>1,301,672</u>
Subtotal Nonmajor Governmental Funds	704,000	1,301,672
<u>Business-Type Funds</u>		
Water Fund	<u>53,150</u>	<u>-</u>
Grand Total	<u>\$ 2,058,822</u>	<u>\$ 2,058,822</u>

Of the transfer into the General Fund, \$1,200,000 was transferred from the Ambulance fund. The Ambulance Fund generates approximately \$1.2 million in revenue annually. Of the transfer out of the General Fund, \$53,150 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, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 134,276	\$ -	\$ -	\$ 134,276
Machinery, equipment, and furnishings	4,383	125	-	4,508
Vehicles	12,196	201	-	12,397
Infrastructure	<u>35,492</u>	<u>234</u>	<u>-</u>	<u>35,726</u>
Total Capital Assets, Being Depreciated	186,347	560	-	186,907
Less Accumulated Depreciation For:				
Buildings and improvements	(42,008)	(3,342)	-	(45,350)
Machinery, equipment, and furnishings	(3,163)	(205)	-	(3,368)
Vehicles	(10,165)	(690)	-	(10,855)
Infrastructure	<u>(20,080)</u>	<u>(707)</u>	<u>-</u>	<u>(20,787)</u>
Total Accumulated Depreciation	<u>(75,416)</u>	<u>(4,944)</u>	<u>-</u>	<u>(80,360)</u>
Capital Assets, Being Depreciated, Net	110,931	(4,384)	-	106,547
Capital Assets, Not Being Depreciated:				
Land	10,031	-	-	10,031
Construction in progress	<u>835</u>	<u>-</u>	<u>(299)</u>	<u>536</u>
Total Capital Assets, Not Being Depreciated	<u>10,866</u>	<u>-</u>	<u>(299)</u>	<u>10,567</u>
Governmental Activities Capital Assets, Net	<u>\$ 121,797</u>	<u>\$ (4,384)</u>	<u>\$ (299)</u>	<u>\$ 117,114</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings and improvements	\$ 7,994	\$ -	\$ -	\$ 7,994
Vehicles	483	-	-	483
Infrastructure	<u>12,873</u>	<u>-</u>	<u>-</u>	<u>12,873</u>
Total Capital Assets, Being Depreciated	21,350	-	-	21,350
Less Accumulated Depreciation For:				
Buildings and improvements	(3,035)	(189)	-	(3,224)
Vehicles	(414)	(38)	-	(452)
Infrastructure	<u>(8,975)</u>	<u>(164)</u>	<u>-</u>	<u>(9,139)</u>
Total Accumulated Depreciation	<u>(12,424)</u>	<u>(391)</u>	<u>-</u>	<u>(12,815)</u>
Capital Assets, Being Depreciated, Net	8,926	(391)	-	8,535
Capital Assets, Not Being Depreciated:				
Land	828	-	-	828
Construction in progress	<u>2,440</u>	<u>233</u>	<u>-</u>	<u>2,673</u>
Total Capital Assets, Not Being Depreciated	<u>3,268</u>	<u>233</u>	<u>-</u>	<u>3,501</u>
Business-Type Activities Capital Assets, Net	<u>\$ 12,194</u>	<u>\$ (158)</u>	<u>\$ -</u>	<u>\$ 12,036</u>

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

Governmental Activities	
General government	\$ 83
Public safety	729
Education	2,820
Public works	915
Health and human services	101
Culture and recreation	<u>296</u>
Total Governmental Activities	\$ <u>4,944</u>
Business-Type Activities	
Water Fund	\$ <u>391</u>

10. Deferred Outflows of Resources

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

11. Notes Payable

The Town had the following note outstanding at June 30, 2022:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/22</u>
General Obligation Bond - 2022	2.00%	02/23/22	02/23/23	\$ <u>1,303,171</u>
Total				\$ <u>1,303,171</u>

The following summarizes activity in notes payable during fiscal year 2022:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Governmental activities	\$ <u>1,581,783</u>	\$ <u>1,303,171</u>	\$ <u>(1,581,783)</u>	\$ <u>1,303,171</u>
Total	\$ <u>1,581,783</u>	\$ <u>1,303,171</u>	\$ <u>(1,581,783)</u>	\$ <u>1,303,171</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 outstanding were as follows at June 30, 2022:

Governmental Activities				Amount
	Original	Serial	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>as of</u>
		<u>Through</u>		<u>6/30/22</u>
Public offerings:				
General obligation refunding	\$ 12,573,700	06/03/29	2.00-4.00%	\$ 8,925,000
General obligation loan	10,810,000	09/01/34	3.96%	6,320,000
General obligation loan	792,000	12/01/40	4.00%	730,000
General obligation loan	5,805,000	10/15/31	5.00%	5,534,650
General obligation loan	16,585,598	05/15/47	3.00-5.00%	<u>15,205,000</u>
Total general obligation bonds				36,714,650
<u>Loans - Direct Borrowings:</u>				
Stormwater management	\$ 189,825	08/01/22	3.00%	\$ 15,000
MWPAT 15-97-1140-A	294,000	01/15/35	0.00%	<u>191,100</u>
Total loans - direct borrowings				<u>206,100</u>
Total Governmental Activities				<u>\$ 36,920,750</u>

Business-Type Activities				Amount
	Original	Serial	Interest	Outstanding
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>as of</u>
		<u>Through</u>		<u>6/30/22</u>
Public offerings:				
General obligation refunding	\$ 2,101,300	05/15/29	2.00-4.00%	\$ 520,000
General obligation loan	270,350	10/15/29	2.00-4.00%	270,350
General obligation	1,309,402	05/15/38	3.00-5.00%	885,000
General obligation loan	3,998,000	12/01/40	2.00-4.00%	<u>3,725,000</u>
Total Business-Type Activities				<u>\$ 5,400,350</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2022 were as follows:

Governmental Activities	<u>Bonds- Public Offerings</u>		<u>Loans- Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,127,650	\$ 1,391,084	\$ 29,700	\$ 375
2024	3,230,000	1,206,520	14,700	-
2025	3,180,000	1,059,545	14,700	-
2026	3,109,000	916,420	14,700	-
2027	2,959,000	782,395	14,700	-
2028 - 2033	10,019,000	2,570,740	73,500	-
2033 - 2037	3,975,000	1,389,265	44,100	-
2038 - 2042	3,335,000	867,865	-	-
2043 - 2047	<u>3,780,000</u>	<u>349,950</u>	<u>-</u>	<u>-</u>
Total	\$ <u>36,714,650</u>	\$ <u>10,533,784</u>	\$ <u>206,100</u>	\$ <u>375</u>

Business-Type Activities	<u>Bonds- Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 697,350	\$ 177,669
2024	680,000	146,033
2025	450,000	117,133
2026	451,000	97,408
2027	441,000	77,658
2028 - 2033	1,376,000	167,027
2033 - 2037	730,000	65,555
2038 - 2041	<u>575,000</u>	<u>17,139</u>
Total	\$ <u>5,400,350</u>	\$ <u>865,622</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 40,137	\$ 5,535	\$ (8,957)	\$ 36,715	\$ (3,128)	\$ 33,587
Loans payable (direct borrowings)	230	-	(25)	205	(30)	175
Unamortized premium	<u>2,416</u>	<u>783</u>	<u>(236)</u>	<u>2,963</u>	<u>(311)</u>	<u>2,652</u>
Subtotal	42,783	6,318	(9,218)	39,883	(3,469)	36,414
Compensated absences	2,931	-	(152)	2,779	(139)	2,640
Net pension liability	27,197	-	(4,985)	22,212	-	22,212
Net OPEB liability	<u>38,693</u>	<u>4,169</u>	<u>-</u>	<u>42,862</u>	<u>-</u>	<u>42,862</u>
Total	<u>\$ 111,604</u>	<u>\$ 10,487</u>	<u>\$ (14,355)</u>	<u>\$ 107,736</u>	<u>\$ (3,608)</u>	<u>\$ 104,128</u>

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 6,143	\$ 270	\$ (1,013)	\$ 5,400	\$ (697)	\$ 4,703
Unamortized premium	<u>500</u>	<u>38</u>	<u>(27)</u>	<u>511</u>	<u>(32)</u>	<u>479</u>
Subtotal	6,643	308	(1,040)	5,911	(729)	5,182
Compensated absences	143	-	(26)	117	(6)	111
Net pension liability	358	12	-	370	-	370
Net OPEB liability	<u>523</u>	<u>192</u>	<u>-</u>	<u>715</u>	<u>-</u>	<u>715</u>
Total	<u>\$ 7,667</u>	<u>\$ 512</u>	<u>\$ (1,066)</u>	<u>\$ 7,113</u>	<u>\$ (735)</u>	<u>\$ 6,378</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 fund. 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 assets by the Town that apply 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, in accordance with GASB Statements No. 69 and 75, 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 - Fund Balances

The Town's fund balances at June 30, 2022 were comprised of the following:

	General Fund	School Capital Project Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ -	\$ -	\$ -	\$ 166,460	\$ 166,460
Total Nonspendable	-	-	-	166,460	166,460
Restricted					
Debt service	568,700	-	-	-	568,700
Special revenue funds:					
Community preservation	-	-	6,110,857	-	6,110,857
Receipts reserved fund	-	-	-	3,121,760	3,121,760
Town revolving funds	-	-	-	449,399	449,399
School revolving funds	-	-	-	928,508	928,508
Other special revenue funds	-	-	-	2,038,268	2,038,268
Expendable trust funds:					
Affordable housing trust fund	-	-	-	1,692,340	1,692,340
John Curtis library trust fund	-	-	-	1,070,535	1,070,535
Expendable permanent funds	-	-	-	72,451	72,451
Total Restricted	568,700	-	6,110,857	9,373,261	16,052,818
Committed					
Continued appropriations:					
General government	393,465	-	-	-	393,465
Public safety	17,259	-	-	-	17,259
Hanover Public Schools	29,220	-	-	-	29,220
Public works	316,940	-	-	-	316,940
Capital stabilization*	743,951	-	-	-	743,951
Town sick leave trust fund*	514,874	-	-	-	514,874
School sick leave trust fund*	360,113	-	-	-	360,113
Special education stabilization*	160,000	-	-	-	160,000
Wind turbine stabilization*	66,996	-	-	-	66,996
For capital expenditures	1,180,000	-	-	-	1,180,000
Total Committed	3,782,818	-	-	-	3,782,818
Assigned					
Encumbrances:					
General government	7,801	-	-	-	7,801
Public safety	12,278	-	-	-	12,278
Education	39,398	-	-	-	39,398
Public works	160,893	-	-	-	160,893
Employee benefits	48,109	-	-	-	48,109
Next year's expenditures	2,388,681	-	-	-	2,388,681
Total Assigned	2,657,160	-	-	-	2,657,160
Unassigned					
General stabilization fund	2,201,254	-	-	-	2,201,254
Special revenue funds	-	-	-	(2,488,947)	(2,488,947)
Capital projects	-	(331,143)	-	-	(331,143)
General Fund	7,727,222	-	-	-	7,727,222
Total Unassigned	9,928,476	(331,143)	-	(2,488,947)	7,108,386
Total Fund Balances	\$ 16,937,154	\$ (331,143)	\$ 6,110,857	\$ 7,050,774	\$ 29,767,642

* 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 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 the 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.

Participant Retirement Benefits

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 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, 2022 was \$4,056,304 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, 2022, the Town reported a liability of \$22,582,501 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2021, the Town's proportion was 4.828%, which was an increase of 0.127% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$2,358,813. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 2,504,595	\$ -
Changes of assumptions	76,718	-
Net difference between projected and actual earnings on pension plan investments	-	6,196,291
Changes in proportion and differences between contributions and proportionate share of contributions	<u>675,972</u>	<u>-</u>
Total	\$ <u>3,257,285</u>	\$ <u>6,196,291</u>

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

Year Ended June 30:

2023	\$ 576,387
2024	(1,636,874)
2025	(1,020,269)
2026	<u>(858,250)</u>
Total	\$ <u>(2,939,006)</u>

Actuarial Assumptions

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

Valuation date	January 1, 2022
Actuarial cost method	Entry age
COLA	3% of the first \$16,000
Salary increases	3.75% per year, including longevity
Investment rate of return	7.875%

Mortality rates were based on the RP-2014 mortality table with Scale MP-2016, fully generational. 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, 2022 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. The target allocation and best estimates of arithmetic real rates of return for each major class 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	23.00%	6.80%
International developed equity	3.00%	7.50%
Emerging markets equity	9.00%	4.60%
Global equity	11.00%	7.20%
Core bonds	10.00%	2.40%
Value-added fixed income	7.00%	4.00%
Hedge funds	7.00%	4.40%
Real estate	10.00%	7.40%
Private equity	12.00%	7.30%
Real assets	6.00%	7.70%
Cash	2.00%	1.70%
	<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 <u>(6.875%)</u>	Current Discount Rate <u>(7.875%)</u>	1% Increase <u>(8.875%)</u>
\$ 32,003,098	\$ 22,582,501	\$ 14,552,535

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the System's separately issued 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 of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' 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

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) 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 2012-2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2020 (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%
Core fixed income	15.00%	0.30%
Private equity	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

1% Decrease to <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase to <u>8.00%</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth of Massachusetts 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 Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts 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 2021 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$66,369,626 based on a proportionate share of 0.292289%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts' contribution of \$5,110,618 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$5,325,886 as both a revenue and expense on the Statement of 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2022.

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 actuarially determined amounts.

Plan Membership

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	339
Active employees	<u>598</u>
Total	<u>937</u>

Investments

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

Rate of return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (17.31)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2021, 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	6.11%, net of OPEB plan investment expense
Municipal bond rate	4.09%
Discount rate	5.60%
Healthcare cost trend rates	8.00%
Participation rate	70% of employees eligible to receive retirement benefit would enroll in the retiree medical and life insurance plans.

Mortality rates were based on the following:

Pre-retirement Mortality – General and Public Safety employees	RP-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, 2022 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	49.00%	4.42%
Domestic equity - Small/mid cap	7.25%	4.81%
International equity - Developed market	4.25%	4.91%
International equity - Emerging market	3.00%	5.58%
Domestic fixed income	18.50%	1.00%
International fixed income	4.50%	1.04%
Alternatives	9.50%	5.98%
Real estate	2.75%	6.25%
Cash and cash equivalents	1.25%	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 5.60%. 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 6.11% and municipal bond rate of 4.09% (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, 2022, were as follows:

Total OPEB liability	\$ 48,583,400
Plan fiduciary net position	<u>5,006,502</u>
Net OPEB liability	<u>\$ 43,576,898</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.30%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 43,984,042	\$ 4,768,335	\$ 39,215,707
Changes for the year:			
Service cost	1,449,402	-	1,449,402
Interest	2,232,315	-	2,232,315
Contributions - employer	-	2,693,442	(2,693,442)
Net investment income (loss)	-	(861,568)	861,568
Differences between expected and actual experience	(3,624,990)	-	(3,624,990)
Changes in assumptions or other inputs	6,136,338	-	6,136,338
Benefit payments	<u>(1,593,707)</u>	<u>(1,593,707)</u>	<u>-</u>
Net Changes	<u>4,599,358</u>	<u>238,167</u>	<u>4,361,191</u>
Balances, end of year	<u>\$ 48,583,400</u>	<u>\$ 5,006,502</u>	<u>\$ 43,576,898</u>

Changes of assumptions and other inputs reflect a change in the model for future projected healthcare costs and the methodology for calculating expected claims.

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 51,529,653	\$ 43,576,898	\$ 37,252,811

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 were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 36,505,525	\$ 43,576,898	\$ 52,587,854

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$4,067,055. At June 30, 2022, the Town reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,107,135	\$ 100,761
Change in assumptions	1,267,821	6,731,021
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>606,329</u>
Total	<u>\$ 4,374,956</u>	<u>\$ 7,438,111</u>

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

<u>Year Ended June 30:</u>	
2023	\$ 770,306
2024	746,409
2025	412,252
2026	416,660
2027	358,764
Thereafter	<u>358,764</u>
Total	<u>\$ 3,063,155</u>

18. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's General Fund had \$268,479 in encumbrances that will be honored in the next fiscal year.

19. Change in Accounting Principle

During fiscal year 2022, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This Statement enhances the relevance and consistency of information of the Town's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In fiscal year 2022, there was no financial statement impact.

20. Subsequent Events

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

TOWN OF HANOVER, MASSACHUSETTS

Required Supplemental Information
General Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 48,781,943	\$ 48,781,943	\$ 49,246,193	\$ 464,250
Excises	2,736,591	2,736,591	2,910,487	173,896
Penalties, interest, and other taxes	130,000	130,000	262,210	132,210
Charges for services	822,494	822,494	394,963	(427,531)
Licenses and permits	696,605	696,605	875,411	178,806
Fines and forfeitures	107,686	107,686	44,061	(63,625)
Intergovernmental	9,391,808	9,391,808	10,047,204	655,396
Investment income	225,000	225,000	68,315	(156,685)
Miscellaneous	150,000	150,000	372,071	222,071
Total Revenues	63,042,127	63,042,127	64,220,915	1,178,788
Expenditures				
General government				
Personal services	262,538	262,538	262,538	-
General expense	180,400	180,400	180,254	146
Articles	489	571,684	571,684	-
Finance department				
Personal services	824,938	784,938	775,688	9,250
General expense	243,087	283,087	265,570	17,517
Articles	85,000	85,000	85,000	-
Police				
Personal services	3,856,864	3,856,864	3,786,436	70,428
General expense	288,498	288,498	288,071	427
Fire				
Personal services	3,470,881	3,470,881	3,447,002	23,879
General expense	331,831	331,831	306,705	25,126
Articles	-	39,364	39,364	-
CDMI				
Personal services	616,341	616,341	601,513	14,828
General expense	29,850	29,850	17,423	12,427
Library				
Personal services	427,612	427,612	427,612	-
General expense	173,000	173,000	133,806	39,194
Community Resources				
Personal services	261,952	261,952	259,499	2,453
General expense	201,680	221,680	219,771	1,909
Hanover Public Schools				
Operating budget	31,521,915	31,521,915	31,520,976	939
Articles	425,000	425,000	425,000	-
Other education - South Shore Vocational	887,000	887,000	886,331	669
Public works				
Personal services	3,533,659	3,533,659	3,502,042	31,617
General expense	3,462,501	3,608,841	3,447,919	160,922
Articles	239,420	542,661	542,661	-
Snow & Ice				
Personal services	111,750	141,750	141,750	-
General expense	388,250	489,195	488,965	230
Town wide expenses				
General expense	9,257,213	9,090,873	8,879,559	211,314
Articles	-	-	-	-
Debt	4,397,568	4,397,568	4,380,476	17,092
State assessments	774,391	774,391	725,986	48,405
County assessments	60,000	60,000	57,457	2,543
Total Expenditures	66,313,628	67,358,373	66,667,058	691,315
Excess (Deficiency) of Revenues over Expenditures	(3,271,501)	(4,316,246)	(2,446,143)	1,870,103

(continued)

See Independent Auditor's Report.

TOWN OF HANOVER, MASSACHUSETTS

Required Supplemental Information
General Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual
For the Year Ended June 30, 2022

(continued)

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
Other Financing Sources/Uses				
Transfers in	1,765,067	1,765,067	1,765,067	-
Transfers out	(350,000)	(350,000)	(350,000)	-
Use of free cash:				
Operating budget	1,085,489	1,085,489	1,085,489	-
Capital budget	420,945	420,945	420,945	-
Transfers to stabilization and trust funds	350,000	350,000	350,000	-
OPEB trust fund contribution	-	-	-	-
Use of prior year encumbrances	<u>-</u>	<u>1,044,745</u>	<u>1,044,745</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>3,271,501</u>	<u>4,316,246</u>	<u>4,316,246</u>	<u>-</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,870,103</u>	\$ <u>1,870,103</u>

See Independent Auditor's Report.

**Notes to 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 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, expenditures, and other sources (uses), to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/other financing sources/uses (GAAP basis)	\$ 69,819,921	\$ 70,922,888	\$ 1,248,522
Add end-of-year appropriation carryforwards from expenditures	-	985,586	-
To record use of prior year carryforward	-	-	1,044,745
To record use of free cash	-	-	1,856,434
To reclassify overhead costs	(463,395)	53,150	410,245
To remove unbudgeted stabilization fund	(24,993)	(43,076)	50,000
To reverse the effect of non-budgeted State contributions for teachers retirement	(5,110,618)	(5,110,618)	-
Other timing issues and reclassifications	<u>-</u>	<u>(140,872)</u>	<u>(293,700)</u>
Budgetary basis	\$ <u>64,220,915</u>	\$ <u>66,667,058</u>	\$ <u>4,316,246</u>

See Independent Auditor's Report.

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

Plymouth County Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	December 31, 2021	4.828%	\$22,582,501	\$17,710,627	127.51%	75.49%
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								
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	June 30, 2021	0.292289%	\$ -	\$ 66,369,626	\$ 66,369,626	\$ 22,669,900	-	62.03%
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 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, 2022	December 31, 2021	\$ 4,056,304	\$ 4,056,304	\$ -	\$ 18,176,113	22.32%
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, 2020	June 30, 2021	\$ 5,325,886	\$ 5,325,886	\$ -	\$ 22,669,900	23.49%
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 1,449,402	\$ 1,486,562	\$ 1,395,101	\$ 1,333,347	\$ 1,156,338
Interest	2,232,315	2,102,036	1,812,913	1,841,927	1,845,453
Differences between expected and actual experience	(3,624,990)	-	214,827	-	-
Changes of assumptions	6,136,338	(1,625,572)	(464,091)	3,903,198	-
Benefit payments, including refunds of member contributions	<u>(1,593,707)</u>	<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	4,599,358	488,503	1,523,913	5,869,139	1,843,541
Total OPEB liability - beginning	<u>43,984,042</u>	<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)	48,583,400	43,984,042	43,495,539	41,971,626	36,102,487
Plan Fiduciary Net Position					
Contributions - employer	2,693,442	1,865,258	1,894,607	1,729,648	3,323,994
Net investment income (loss)	(861,568)	902,788	210,290	43,103	75,590
Benefit payments, including refunds of member contributions	<u>(1,593,707)</u>	<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	238,167	1,293,523	670,060	563,418	2,241,334
Plan fiduciary net position - beginning	<u>4,768,335</u>	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>5,006,502</u>	<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>\$ 43,576,898</u>	<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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Net OPEB Liability					
Total OPEB liability	\$ 48,583,400	\$ 43,984,042	\$ 43,495,539	\$ 41,971,626	\$ 36,102,487
Plan fiduciary net position	<u>5,006,502</u>	<u>4,768,335</u>	<u>3,474,812</u>	<u>2,804,752</u>	<u>2,241,334</u>
Net OPEB liability	<u>\$ 43,576,898</u>	<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	10.30%	10.84%	7.99%	6.68%	6.21%
Schedule of Contributions					
Actuarially determined contribution	\$ 3,486,720	\$ 3,190,461	\$ 3,810,078	\$ 3,572,462	\$ 3,278,808
Contributions in relation to the actuarially determined contribution	<u>2,693,442</u>	<u>1,865,258</u>	<u>1,894,607</u>	<u>1,729,648</u>	<u>3,323,994</u>
Contribution deficiency (excess)	<u>\$ 793,278</u>	<u>\$ 1,325,203</u>	<u>\$ 1,915,471</u>	<u>\$ 1,842,814</u>	<u>\$ (45,186)</u>
Schedule of Investment Returns					
Annual money weighted rate of return, net of investment expense	-17.31%	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.

See Independent Auditor's Report.