

**BOROUGH OF HANOVER, PA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2021**



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## INDEPENDENT AUDITORS' REPORT

Borough Council  
The Borough of Hanover  
Hanover, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Borough of Hanover, PA (the Borough), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Hanover Public Library Association (HPLA), which represents 100% of the respective assets, net position and revenues of the discretely presented component unit as of December 31, 2021, and the respective changes in net position for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar, as it relates to the amounts included for HPLA is based solely on the report of other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Borough 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.

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

During the fiscal year the Borough recorded an adjustment resulting from the correction of an accounting error that occurred in the prior period (See Note 23). Our opinion was not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for twelve months beyond the financial statements 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 generally accepted 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 generally accepted 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 Borough'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 Borough'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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in net pension liability (asset) and related ratios - pension plans, schedule of contributions and investment returns – pension plans, and schedule of changes in total OPEB liability and related ratios on pages 4-17 and 93-107 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining schedule of fiduciary net pension and combining schedule of changes in fiduciary net position on pages 109 and 110 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, such as comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining fiduciary financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
August 17, 2022



**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**INTRODUCTION**

The following discussion and analysis of Borough of Hanover, PA's (the Borough) financial statements provides a narrative overview and analysis of the financial activities of the Borough for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the year-end financial statements and accompanying notes following this analysis.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999. Certain comparative information between the current year and prior year is required to be presented in this section.

**FINANCIAL HIGHLIGHTS OF 2021**

- The assets and deferred outflows of resources of the Borough exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended December 31, 2021, by \$80,066,160 (net position). The Borough's net position value increased \$6,380,769 from 2020's total of \$73,685,391. The majority of the Borough's net position (\$54,989,682, or 68.7%) is invested in capital assets and is not available for future spending.
- Fund balances increased in the General Fund by \$791,595 from \$10,887,338 to \$11,678,933 in 2021.
- The Borough entered into two new capital lease obligations in 2021. The first capital lease entered into by the Borough was for a 2021 Mack garbage truck in the amount of \$239,968. The second capital lease the Borough entered into was for a 2023 Western Star dump truck. Due to supply chain delays, the Borough did not receive the dump truck before year end. The Borough prepaid the first installment of the lease in the amount of \$56,207.
- The Borough's bond rating was confirmed as Aa3 as issued by Moody's, denoting a very strong capacity to meet financial commitments.
- The Borough had \$49,055,000 in general obligation debt outstanding as of December 31, 2021. This represents a net decrease of \$2,630,000 from 2020, based on principal payments made. The Nonelectoral Debt Capacity remaining is \$39,430,000 and Nonelectoral Debt and Lease Rental Debt Capacity remaining is \$56,733,200.
- The Borough has three define-benefit pension plans for its police, fire fighters, and non-uniform employees. The police pension plan has a total pension liability of \$16,039,237 and a plan fiduciary net position of \$17,861,942 as of December 31, 2021. The fire fighters pension plan has a total pension liability of \$8,438,827 and a plan fiduciary net position of \$9,031,045 as of December 31, 2021. The non-uniform pension plan has a total pension liability of \$34,844,848, and a plan fiduciary net position of \$43,644,503 as of December 31, 2021. Overall, the Borough's pension plans are fully funded at a collective ratio of 118.9%.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

**OVERVIEW OF FINANCIAL STATEMENTS**

This MD&A section is intended to serve as an introduction to the Borough's basic financial statements and provides an overview of the Borough's financial activities. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

*Government-Wide Financial Statements* – The government-wide financial statements are designed to provide readers with a broad overview of the Borough's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Borough's assets, deferred outflows of resources, liabilities, and deferred 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 of the Borough is improving or deteriorating.

The *Statement of Activities* presents information showing how the Borough's net position changed during the most recent fiscal year. All changes in net position (revenues and expenses) 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 reporting 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, compensated absences). The focus of this statement is on the net cost of providing various activities to the citizens of the Borough.

Both the *Statement of Net Position* and the *Statement of Activities* distinguish functions of the Borough 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*).

- *Governmental Activities* – The activities reflected in this section are general government; public safety (police, fire, and emergency management); roads; health and sanitation; cultural and recreation; and other departments and programs. These activities are primarily supported by operating grants and contributions, charges for services, real estate taxes, and departmental revenues.
- *Business-Type Activities* – The activities reflected in this section are water; regional wastewater; sanitary sewer; stormwater (through the Hanover Borough Stormwater Authority, a blended component unit); and market house. These activities are intended to recover their cost of operation, including depreciation, primarily through user charges.

*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. State law requires some funds be segregated, while other funds are established to control and manage resources designated for specific purposes.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The Borough has three types of funds:

- Governmental Funds – Most of the Borough's basic services are included in governmental funds, which focus on 1) the flow of cash and other financial assets that can readily be converted into cash, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed near-term view that helps determine the financial requirements for current Borough's programs. The Borough's major governmental funds are the General Fund and ARPA Fund. The Capital Projects, Highway Liquid Fuels, Recreation, Recreation Endowment, and Library Endowment Funds are nonmajor governmental funds of the Borough.

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 Borough's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Borough adopts an annual appropriated budget for its General, Highway Liquid Fuels, Water, Regional Wastewater, Sanitary Sewer, Stormwater Authority and nonmajor proprietary funds. A budgetary comparison statement for the General Fund has been provided as required supplementary information for this major fund to demonstrate compliance with its budgets.

- Enterprise Funds – Used to report the same functions presented as business-type activities in the government-wide financial statements, which provide services for the Borough's other programs and activities, in more detail. The Borough reports five enterprise funds: Water, Regional Wastewater, Stormwater Authority, and Sanitary Sewer Funds, which are each reported as major funds, and the Market House Fund, which is presented as nonmajor.
- Fiduciary Funds – The Borough is the trustee, or fiduciary, for its three separate employees' pension plans for police, fire drivers, and nonuniformed employees, collectively reported as the Borough's Pension Trust Funds, and the Fire Drivers' Postemployment Health Plan (PEHP) Fund (*discretely presented component unit*). The Borough is responsible for ensuring that the assets reported in the funds are used for the intended purposes. All the Borough's fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources balances are reported in the Statement of Fiduciary Net Position. A Statement of Changes in Fiduciary Net Position is presented for the Pension Trust Funds only. All fiduciary activities are excluded from the Borough's government-wide financial statements because the Borough cannot use these assets to finance its operations.

Component Units – Component units are organizations that are legally separate, tax-exempt entities that have the following characteristics: 1) the economic resources received or held are almost entirely for the direct benefit of the Borough (known as the primary government), 2) the primary government has the ability to access a majority of the economic resources held by the separate organization, and 3) the assets held by the separate entity are significant to the primary government. Blended component units are component units that are so intertwined with the primary government that they are, in substance, the same as the primary government and are presented as part of the primary government. The Borough has only one blended component unit: the Hanover Borough Stormwater Authority.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The government-wide financial statements include not only the primary government, but also legally separate, discretely presented entities for which the Borough is financially accountable. Financial information for discretely presented component units are reported separately from the financial information presented for the primary government itself. The Borough has two discretely presented component units: the Hanover Public Library Association, and the Fire Drivers' PEHP Fund.

Notes to Basic Financial Statements and Other Information – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Borough's progress in funding its obligation to provide pension and other postemployment benefits to its employees, and combining schedules of net position and activities for the individual Pension (and Other Employee Benefit) Trust Funds of the Borough.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position – The following is a condensed presentation of the Borough's net position as of December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020*	2021	2020	2021	2020
<b>Assets:</b>						
Current and Other Assets	\$ 24,020,976	\$ 15,801,973	\$ 29,620,777	\$ 29,681,897	\$ 53,641,753	\$ 45,483,870
Capital Assets, Net	14,561,252	14,947,621	82,382,990	81,473,048	96,944,242	96,420,669
Total Assets	38,582,228	30,749,594	112,003,767	111,154,945	150,585,995	141,904,539
<b>Deferred Outflows of Resources</b>	1,332,605	1,427,851	1,307,988	1,538,540	2,640,593	2,966,391
<b>Liabilities:</b>						
Current Liabilities	5,996,653	1,709,457	3,747,031	4,030,002	9,743,684	5,739,459
Long-Term Liabilities	7,196,044	8,135,391	47,511,397	50,307,029	54,707,441	58,442,420
Total Liabilities	13,192,697	9,844,848	51,258,428	54,337,031	64,451,125	64,181,879
<b>Deferred Inflows of Resources</b>	5,344,230	4,485,252	3,365,073	2,960,598	8,709,303	7,445,850
<b>Net Position:</b>						
Net Investment in Capital						
Assets	9,728,295	9,269,310	45,261,387	42,725,311	54,989,682	51,994,621
Restricted	803,152	701,081	123,805	1,369	926,957	702,450
Unrestricted	10,846,459	7,876,954	13,303,062	12,669,176	24,149,521	20,546,130
Total Net Position	\$ 21,377,906	\$ 17,847,345	\$ 58,688,254	\$ 55,395,856	\$ 80,066,160	\$ 73,243,201

\*The December 31, 2020 balances have not been restated for the correction of an error in Note 23.

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Borough, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,066,160 at the close of the fiscal year.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

By far the largest portion of the Borough's combined net position (68.7%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its 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 the Borough's net position (1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (30.3%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current year, the Borough can report positive balances in all net position categories for both reported years.

Changes in Net Position – The following is a condensed presentation of the Borough's changes in net position for the years ended December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020*	2021	2020	2021	2020
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 6,408,341	\$ 5,598,609	\$ 16,536,403	\$ 16,511,055	\$ 22,944,744	\$ 22,109,664
Operating Grands and Contributions	1,756,204	2,158,816	449,247	213,019	2,205,451	2,371,835
Capital Grants and Contributions	136,092	468,529	-	-	136,092	468,529
<b>General Revenues:</b>						
Taxes:						
Property and Per Capita Taxes	6,292,306	5,952,564	-	-	6,292,306	5,952,564
Income Taxes	2,006,149	1,627,460	-	-	2,006,149	1,627,460
Business Privilege Taxes	498,412	568,536	-	-	498,412	568,536
Local Services Taxes	512,040	483,919	-	-	512,040	483,919
Interest and Investment						
Earnings	92,769	96,446	123,619	134,841	216,388	231,287
Transfers	-	(33,249)	-	33,249	-	-
Total Revenues	17,702,313	16,921,630	17,109,269	16,892,164	34,811,582	33,813,794

\*The December 31, 2020 balances have not been restated for the correction of an error in Note 23.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
<b>Expenses:</b>						
Governmental Activities:						
General Government	\$ 366,968	\$ 788,587	\$ -	\$ -	\$ 366,968	\$ 788,587
Public Safety	6,210,181	6,415,788	-	-	6,210,181	6,415,788
Health and Sanitation	4,151,770	4,285,394	-	-	4,151,770	4,285,394
Highway	2,299,321	1,920,982	-	-	2,299,321	1,920,982
Culture and Recreation	1,468,008	1,383,510	-	-	1,468,008	1,383,510
Interest on Long-Term Debt	117,694	148,229	-	-	117,694	148,229
Business-Type Activities:						
Water Services	-	-	6,591,893	6,453,412	6,591,893	6,453,412
Regional Wastewater Services	-	-	3,198,822	3,869,328	3,198,822	3,869,328
Sewer Services	-	-	3,214,661	2,557,295	3,214,661	2,557,295
Stormwater Services	-	-	746,911	915,715	746,911	915,715
Market House Services	-	-	64,584	60,233	64,584	60,233
Total Expenses	<u>14,613,942</u>	<u>14,942,490</u>	<u>13,816,871</u>	<u>13,855,983</u>	<u>28,430,813</u>	<u>28,798,473</u>
<b>Changes in Net Position</b>	-- 3,088,371	1,979,140	3,292,398	3,036,181	6,380,769	5,015,321
Net Position - Beginning of Year, as restated	<u>18,289,535</u>	<u>15,868,205</u>	<u>55,395,856</u>	<u>52,359,675</u>	<u>73,685,391</u>	<u>68,227,880</u>
<b>Net Position - End of Year</b>	<u>\$ 21,377,906</u>	<u>\$ 17,847,345</u>	<u>\$ 58,688,254</u>	<u>\$ 55,395,856</u>	<u>\$ 80,066,160</u>	<u>\$ 73,243,201</u>

During the current fiscal year, net position for governmental activities increased \$3,088,371, primarily the result of expense reductions for health insurance premium dividends received, positive pension trends reducing net pension expense, and COVID-19 impacts to operations at several Borough facilities. The net position of the business-type activities increased \$3,292,398, primarily related to various utility and service connection charges currently outpacing depreciation on newer infrastructure and related improvements.

**FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS**

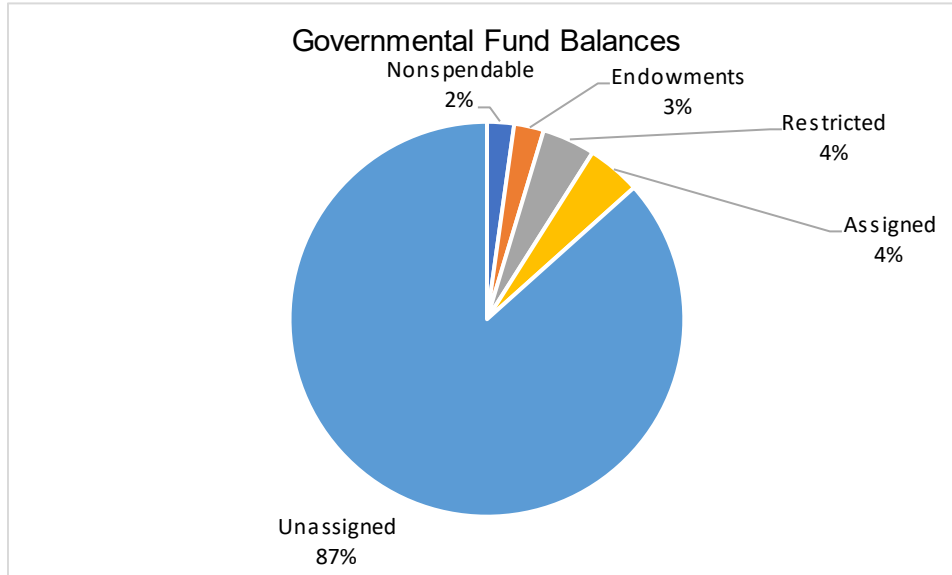
The Borough uses fund accounting to assure and demonstrate compliance with local government regulations.

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

At the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$12,556,924, of which \$555,304 was externally restricted, such as by legal restrictions or intention of grantors, donors, or trustees, \$278,695 was in nonspendable form (e.g., deposits and prepaid expenses), \$305,486 was held in endowment funds for recreation purposes, and \$550,503 was assigned, primarily for 2022 budgetary reserve needs. The remaining \$10,866,936 (86.6%) is unassigned and can be used for any lawful purpose.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The following graphic summarizes fund balances as of December 31, 2021, by relative percentage:



The General Fund is the Borough's primary operating fund. It tracks services of administration, police, fire, emergency management, planning, health and sanitation, highways, library, recreation and parks, shade trees, public events, and insurance costs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,866,936 and total fund balance was \$11,678,933, reflecting a \$791,595 (7.27%) increase over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned General Fund balance to General Fund expenditures. Unassigned General Fund balance represents 64.2% of total General Fund expenditures.

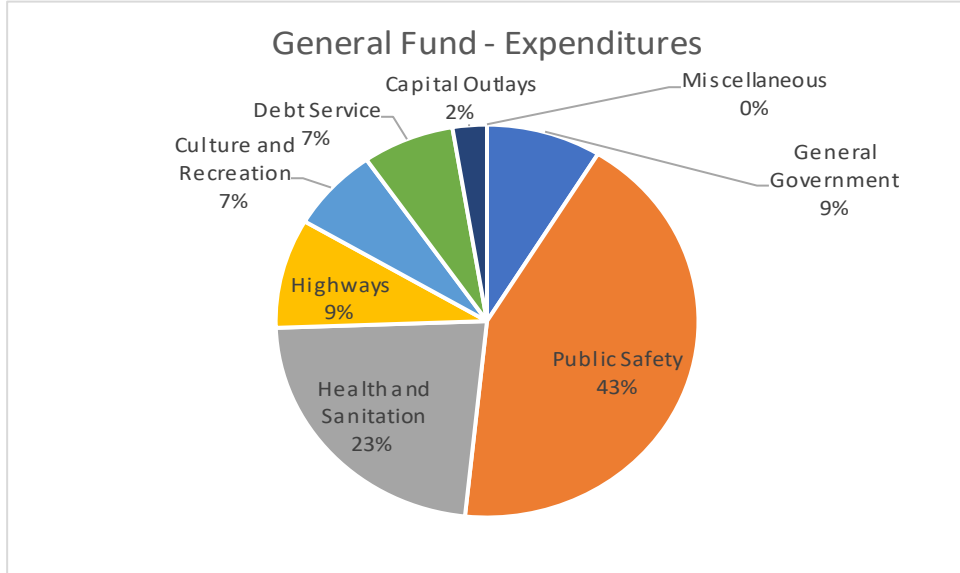
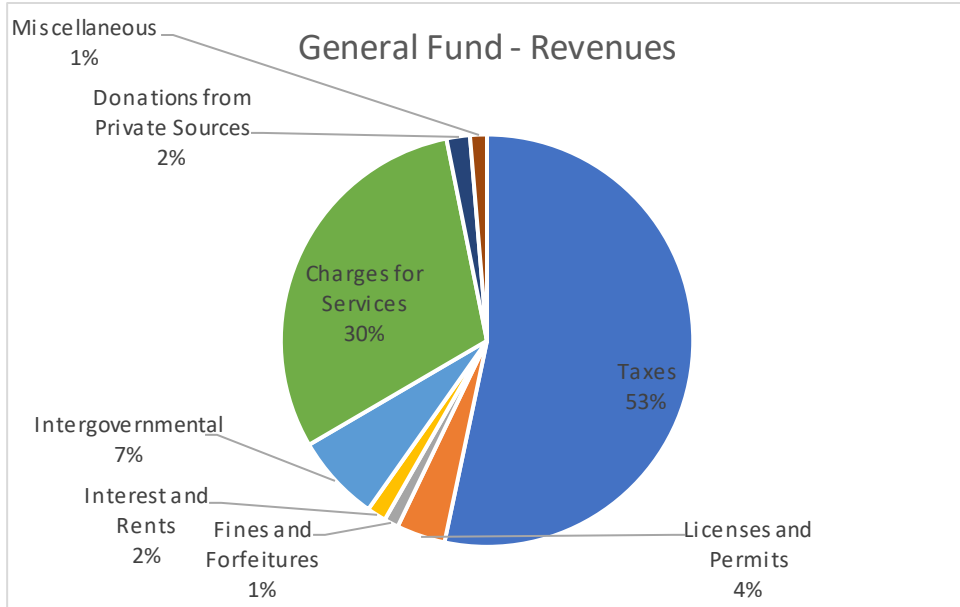
The condensed changes in fund balance for the General Fund were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Revenues	\$ 17,467,105	\$ 16,424,437
Expenses	16,915,478	16,170,380
Net Other Financing Sources (Uses)	<u>239,968</u>	<u>327,139</u>
Changes in Fund Balance	<u>\$ 791,595</u>	<u>\$ 581,196</u>

The \$1,042,668 increase in revenues in 2021 primarily related to an increase in Act 511 taxes, building permits, and tipping and sanitation fees. All of these revenue streams were significantly impacted by the COVID-19 pandemic in 2020. Expenses increased \$745,098 in 2021. The increase is primarily related to an increase in salaries and benefits due to hiring new staff, increase in overtime, and an increase in the minimum municipal obligation (MMO) for the police and fire pension plans. Other General Fund expenses increased from 2020 – 2021 because several services and programs provided by the Borough were canceled in 2020 due to the COVID-19 shutdowns. Net other financing sources (uses) were relatively consistent between 2021 and 2020.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The following charts summarize revenues and expenditures by major source for the General Fund by relative percentage for the year ended December 31, 2021:





**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Enterprise Funds – The Borough's enterprise funds provide the same type of information found in the government-wide financial statements.

As of December 31, 2021, the net position of the Borough's Water Fund totaled \$35,149,076; the Regional Wastewater Treatment Plant Fund totaled \$13,172,129; the Sanitary Sewer Fund totaled \$9,346,059; Stormwater Authority totaled \$933,191; and the Market House totaled \$87,799. The following summarizes the significant changes to net position for the Borough's major Enterprise Funds during the current fiscal year:

- Water operating revenues decreased \$103,764 from 2020 results of \$7,983,333 to \$7,879,569, primarily related to large industrial water customers having to decrease production in 2021 due to supply chain issues resulting from the COVID-19 pandemic. Operating expenses increased by \$245,797 (from \$5,480,979 to \$5,726,776) in 2021, primarily related to the increase in repairs and maintenance expenses for the water lines and the plant. Nonoperating activities, capital contributions, and interfund transfers decreased in 2021, primarily related to bond issuance costs expensed for several refunding transactions in 2020. Total change in net position for 2021, was an increase of \$1,723,115.
- Regional Wastewater operating revenues increased \$55,618 from 2020 results of \$2,075,798 to \$2,131,416, primarily related to intergovernmental billings for shared facility costs based on their respective budgeted flow shares to the facilities. Operating expenses increased by \$44,338 (from \$3,159,612 to \$3,203,950) in 2021, primarily related to an increase in contractual services and repairs and maintenance in 2021. Nonoperating activities, capital contributions, and interfund transfers increased in 2021. Total change in net position for 2021, was an increase of \$344,802.
- Sanitary Sewer operating revenues in 2021 were comparable to 2020 increasing from \$4,956,958 to \$5,040,904. This is an increase of \$83,946 or 1.7%. Operating expenses increased by \$164,170 (from \$2,477,504 to \$2,641,674) in 2021, primarily related to an increase in wastewater treatment charges from the Regional Wastewater Treatment Plant. Nonoperating activities, capital contributions, and interfund transfers decreased in 2021, primarily related to more interest expense. Total change in net position for 2021, was an increase of \$775,176.
- Stormwater Authority operating revenues increased \$4,760 from 2020 results of \$1,225,440 to \$1,230,200. 2021 operating revenue is comparable to 2020 because there was no increase in stormwater rates from 2020 to 2021. Operating expenses decreased by \$120,425 (from \$867,336 to \$746,911) in 2021, primarily related to decline in net pension expense, relating to highly favorable returns in 2021. Nonoperating activities, capital contributions, and interfund transfers increased comparable to 2021. Total change in net position for 2021, was an increase of \$471,010.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget for the General Fund was not amended by the Borough Council during 2021. Overall, actual operating revenues amounted to \$17,467,105 as of December 31, 2021. This is \$965,890 more than the \$16,501,215 budgeted for 2021. Total actual expenses and transfers out amounted to \$16,915,478 as of December 31, 2021. This is \$623,165 less than the \$17,538,643 budgeted for 2021. The Borough budgeted conservatively due to the COVID-19 pandemic causing financial uncertainty.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Overall, General Fund expenditures were \$623,165 less than planned, primarily due to the following:

- Culture and Recreation expenses were less than budget by \$434,192, primarily due to lower personnel costs and less supplies for the annual chili cookoff. Recreational events and programs took longer than expected to recover from the COVID-19 pandemic.
- Debt Services expenses were less than budget by \$73,367, primarily due to budgeting for the lease of a new accounting system in 2021. This was budgeted for \$69,650 but did not occur.
- Capital Outlay expenses were less than budget by \$339,436, primarily due to supply chain delays caused by the COVID-19 pandemic.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The Borough’s investment in capital assets, net of accumulated depreciation, totaled \$96,944,242 at the end of 2021. Capital assets consist of land and improvements, infrastructure, buildings and improvements, machinery and equipment, and construction in progress.

A summary of the capital assets, net of accumulated depreciation, as of December 31, follows:

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Land and Land Rights	\$ 629,136	\$ 629,136	\$ 1,027,255	\$ 1,027,255
Construction in Progress	101,271	46,310	3,880,509	4,258,264
Improvements Other than Buildings	152,871	166,078	7,117	7,654
Machinery and Equipment	1,872,310	1,720,675	2,162,221	2,240,035
Other Buildings and Related Improvements	7,774,318	8,049,564	701,047	641,744
Plant and Infrastructure	4,031,346	4,335,858	74,604,841	73,298,096
Total	<u>\$ 14,561,252</u>	<u>\$ 14,947,621</u>	<u>\$ 82,382,990</u>	<u>\$ 81,473,048</u>

Significant capital investments/activity in 2021 related to the following:

- The Borough created a new access road for the transfer station. The construction started in 2020 and ended in 2021. The new road amounted to \$13,455. The Borough also repaved Hartman Avenue and Fleming Avenue during 2021. Those roads were placed into service at amounts of \$9,233 and \$40,897
- The Borough entered into a capital lease agreement for a Mack garbage truck in the amount of \$239,968. The Borough also purchased a police interceptor for \$39,875 and two super duty pickup trucks. Each truck was purchased at a cost of \$38,741. These vehicles were purchased in the General Fund.
- Continued rehabilitation design for the Sheppard & Myers Dam (\$755,405 in 2021 costs, and cumulative project costs of \$1,698,583; *bids for construction anticipated in early 2022, pending State permit approval*).

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

- Over \$1.5 million in capital investment for water main cleaning and lining and replacement projects under 2020 improvement contracts. Some mains were placed into service as of the end of 2021. Others are anticipated to be finished in 2022.
- Completion of Sanitary Sewer System 2020 improvements project (\$378,234 in accumulated project costs), and accumulated costs of \$329,136 for 2021 improvements project, to be completed in 2022.
- Construction of the new Tanger Pole building was completed in 2021. Accumulated costs amounted to \$79,455. The building was paid from the General Fund, Water Fund, Sanitary Sewer Fund, and the Stormwater Authority.

Additional information on the Borough's capital assets can be found in the notes to basic financial statements (Capital Assets note).

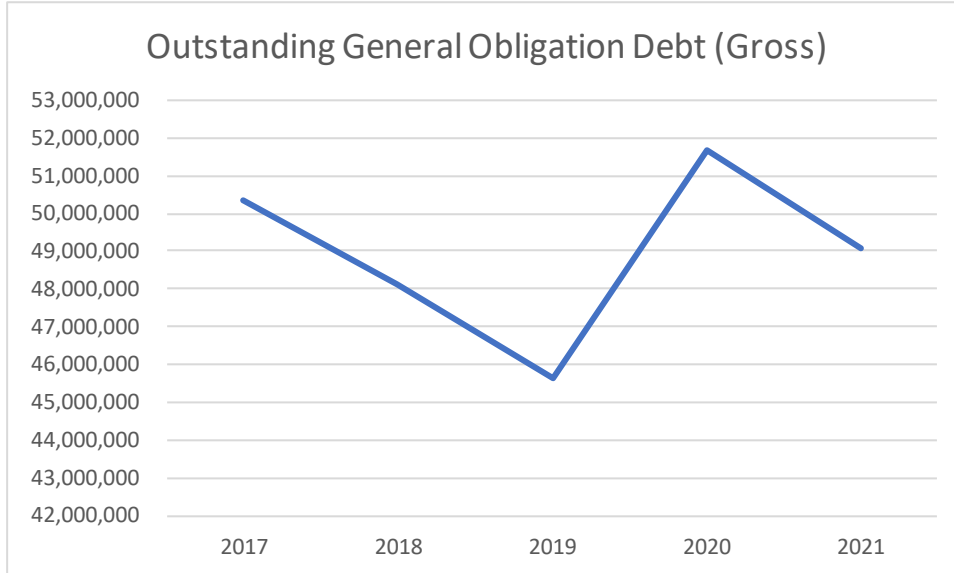
The Borough is committed under the following contracts for purchases and construction projects, excluding any accounts payable and accrued expenses (retainage payable) on those contracts, as of December 31, 2021:

Project	Contract Amount	Contract Amount Outstanding
Water Fund:		
Water Main Lining Projects:		
Construction	\$ 584,278	\$ 427,450
Water Main Replacement Projects:		
Construction	1,674,870	1,298,011
Sheppard-Myers Dam Rehabilitation:		
Engineering	9,823,099	9,587,622
Sanitary Sewer Fund:		
Sewer Main Lining Project:		
Construction	592,438	271,906

Long-Term Debt – On December 31, 2021, the Borough's general obligation debt (gross) outstanding totaled \$49,055,000, all related to capital purchases and projects. All debt is backed by the full faith and credit of the Borough, and virtually all business-type debt has been certified as self-liquidating in the respective funds. This was a net decrease of \$2,630,000 (5.1%) from 2020, primarily due to principal payments made in 2021. No revenue bond debt exists.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The following represents the growth of the Borough's general obligation debt (gross) over the past five fiscal years:



All bonds issued are rated Aa3 by Moody's Investors Service, denoting a very strong capacity to meet financial commitments. **The Borough of Hanover has never failed to meet any bond payment obligations.** The Borough continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs, which has resulted in significant savings for the Borough over the past several years. There were no debt limitations, restrictions, or commitments during the year ended December 31, 2021, that may affect the Borough's plans during the fiscal year ending December 31, 2022.

The following is a summary of outstanding long-term debt for the years ended December 31:

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
General Obligation Bonds Payable, Net	\$ 3,876,205	\$ 4,523,149	\$ 47,531,103	\$ 49,735,262
Accrued Compensated Absences	1,792,828	1,726,655	1,086,279	1,177,321
Consumer Deposits	-	-	345,865	463,167
Capital Lease Obligations	1,034,893	1,263,674	255,853	418,596
Total	<u>\$ 6,703,926</u>	<u>\$ 7,513,478</u>	<u>\$ 49,219,100</u>	<u>\$ 51,794,346</u>

Additional information on the Borough's long-term debt can be found in the notes to basic financial statements (Long-Term Debt note).

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The calendar year 2022 budget leverages positive economic trends by continuing long overdue investments in infrastructure and equipment. The local economy provides a stable fiscal environment, though growth is limited.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

The Borough continues to experience challenges meeting a balanced budget, particularly in the General Fund, as fixed expenditures continue to rise, and revenues continue to flatten. The requirement to fund and improve infrastructure also provides budgetary stress. Key economic factors and trends affecting the Borough in 2022 and future years include the following:

- General Fund – There were no changes to the Borough's tax rates for the 2022 budget as adopted. Property taxes are the single largest source of revenue for the Borough and represent 33.0% of total General Fund budgeted revenue. There is limited growth in the Borough's assessable base over the past five years. Collections of the current tax levy and collections of delinquent taxes remain strong. The Borough also anticipates Act 511 taxes to recover in 2022 now that the State of PA is coming out of the COVID-19 pandemic. Act 511 taxes collectively have an annual budget of \$3,179,500 for 2022 and represent 18.8% of General Fund's budgeted revenue.
- Water, Stormwater (Authority), and Sanitary Sewer Fund Operations and Improvements – There were no changes to the Water and Sanitary Sewer Funds and Stormwater Authority charges for services in the 2022 budget, though an increase in water service charges will be evaluated in 2022. The Borough will continue to address upgrades and maintenance to the Borough's water infrastructure over the next several years, including upgrading water meter technology, researching new well sources, and improving the Sheppard Myers and Kitzmillers Impounding Dams.
- Bonds – Borough staff continues to implement internal finance policies and create long- range plans to improve the climate for bond rating increases. The Borough issued bond debt in 2020 to fund the first stage of a comprehensive utilities' infrastructure rehabilitation focused on improvements to the Sheppard Myers and Kitzmillers Impounding Dams.
- Minimum Municipal Obligation for Borough Pension Plans and Funding Progress – Pension funds budgeted for 2022 total \$555,030 for the minimum municipal obligation to the pension plans as set forth by Conrad Siegel, Inc., the Borough's pension plan actuary. The 2022 non-uniform MMO was calculated at \$0 because the plan is fully funded. The Borough of Hanover has never failed to make the required minimum municipal obligation to the pension plans. The Borough's three pension plans' funded ratios were estimated at 111.36%, 107.02%, and 118.90% for the Police, Fire Drivers', and Hanover Employees' Pension Trust Funds, respectively, as of December 31, 2021, exemplifying sound investment, management, and performance.

The above significant economic factors and trends were considered in preparation of the 2022 operating budgets for all funds. Based on anticipated results of operations for the Borough, projected fund balance and financial reserves for 2022, excluding restricted Consumer Deposit Agreement escrows, are estimated at \$17,362,260 as of December 31, 2021.

While the Borough's current financial position is strong, there are some indicators of future financial stress. First, a review of the strengths: The Borough's tax base value is strong compared to many other urbanized municipalities in Pennsylvania and the corresponding benefit is that the municipal tax rate is low compared with municipalities providing similar services. The Borough hosts many large value industrial and commercial properties, including big-box stores, national specialty merchants, service organizations, and manufacturing. The Borough's modified accrual fund balances exceeded the goals set in its adopted fund balance and financial reserves policy for all relating funds.

**BOROUGH OF HANOVER, PA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021**

Notwithstanding these indicators of financial health, the Borough faces challenges common to most urban municipalities in Pennsylvania. Expenditures rise due to inflation and world markets. A real estate tax base provides increased revenue three ways: increase in the tax base value due to development; increase in tax base value due to a county-wide reassessment; and/or increase in the actual tax rate. The York County Commissioners have not conducted a county-wide reassessment since 2006, and Borough Council has not increased local taxes since 2015. The Borough is developed to its borders; hence the rate of increase of real estate tax base value is less than 1% per year. There are other indicators of future financial distress, including tenant occupancy in excess of 46.5% (significantly higher than that of York County (25.3%), Pennsylvania (31.0%), and the United States as a whole (36.2%)). More than 50% of students receive a free or reduced lunch, and some neighborhoods are blighted.

Recognizing these indicators of long-term financial stress, the Borough continues to act to change the financial trajectory. The Borough prepared its fifth five-year budget projection for the period 2022 through 2026, including a capital improvement program for major equipment and vehicles for the same period. The projection demonstrates, in stark manner, the decay of the Borough's financial condition if the Borough does nothing to increase revenue and reduce the natural growth in expenditures - absent action, revenues stay relatively level while expenditures will grow around 3% per year.

The Borough is beginning Phase II evaluation in Pennsylvania's Strategic Management Planning Program (STMP). The program is administered by the Governor's Center for Local Government Services of the Department of Community and Economic Development (DCED). Most municipalities wait until they are at the abyss of financial distress before taking advantage of a program like the STMP. Consequently, the study is typically rushed and completed with a sense of urgency. Recommendations are implemented quickly resulting in some implementations being faulty. By embarking on this exhaustive study now, the Borough will receive a thorough analysis and have ample time to evaluate and implement recommendations.

STMP will provide grants, matched by the Borough, to hire a third-party firm to conduct an exhaustive analysis of the administration and operations of all the departments of the municipality with the goal of providing opportunities and suggestions for efficiencies, technology, alternate modes of operation, and staffing levels. The study also addresses resources and strategies to clear blight, evaluate and consolidate facilities, and more effectively enforce codes. The results of that study are under review for implementation of initiatives over the coming years.

**CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances. Questions about this report or requests for additional information can be directed to The Borough of Hanover, Attn: Amy Hill, Acting Borough Manager at The Borough of Hanover, 44 Frederick Street, Hanover, PA 17331.

Separately issued financial statements for the Hanover Public Library Association (component unit of the Borough) can be requested at the Guthrie Memorial Library, 2 Library Place, Hanover, PA 17331.

## **BASIC FINANCIAL STATEMENTS**

**BOROUGH OF HANOVER, PA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hanover Public Library Association
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents:				
Unrestricted	\$ 14,973,484	\$ 9,870,740	\$ 24,844,224	\$ 95,300
Restricted	847,207	123,805	971,012	-
Accounts Receivable	272,089	1,167,281	1,439,370	-
Taxes Receivable, Net	702,212	-	702,212	-
Grants Receivable	131,872	54,066	185,938	-
Interfund	-	-	-	-
Due from Other Governments	129,866	491,169	621,035	-
Unbilled Services	141,616	1,159,017	1,300,633	-
Lease Receivable	528,562	-	528,562	-
Inventory	-	610,713	610,713	-
Prepaid Expenses and Deposits	278,695	656,267	934,962	-
Total Current Assets	<u>18,005,603</u>	<u>14,133,058</u>	<u>32,138,661</u>	<u>95,300</u>
Noncurrent Assets:				
Cash and Cash Equivalents - Restricted	-	10,193,700	10,193,700	58,205
Investments - Restricted	-	-	-	3,639,823
Beneficial Interest in Assets Held by Others	94,814	-	94,814	25,005
Net Pension Asset	5,920,559	5,294,019	11,214,578	-
Property and Equipment:				
Capital Assets Not Being Depreciated				
Land and Land Rights	629,136	1,027,255	1,656,391	-
Construction in Progress	101,271	3,880,509	3,981,780	-
Capital Assets Being Depreciated				
Improvements Other than Buildings	408,335	62,168	470,503	-
Machinery and Equipment	8,482,997	5,577,334	14,060,331	-
Other Buildings and Improvements	12,846,654	1,111,623	13,958,277	-
Plan and Infrastructure	14,159,039	119,285,306	133,444,345	-
Subtotal	<u>35,897,025</u>	<u>126,036,431</u>	<u>161,933,456</u>	<u>-</u>
Less: Accumulated Depreciation	<u>22,066,180</u>	<u>48,561,205</u>	<u>70,627,385</u>	<u>-</u>
Property and Equipment, Net	<u>14,561,252</u>	<u>82,382,990</u>	<u>96,944,242</u>	<u>-</u>
Total Noncurrent Assets	<u>20,576,625</u>	<u>97,870,709</u>	<u>118,447,334</u>	<u>3,723,033</u>
Total Assets	<u>38,582,228</u>	<u>112,003,767</u>	<u>150,585,995</u>	<u>3,818,333</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amounts from OPEB	302,341	204,234	506,575	-
Deferred Amounts from Pensions	1,009,761	403,538	1,413,299	-
Deferred Amounts on Refunding	20,503	700,216	720,719	-
Total Deferred Outflows of Resources	<u>1,332,605</u>	<u>1,307,988</u>	<u>2,640,593</u>	<u>-</u>

See accompanying Notes to Basic Financial Statements.



**BOROUGH OF HANOVER, PA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**DECEMBER 31, 2021**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hanover Public Library Association
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 320,158	\$ 330,854	\$ 651,012	\$ 6,250
Accrued Wages	163,478	60,758	224,236	-
Internal Balances	343,473	(343,473)	-	-
Accrued Compensated Absences	51,000	7,966	58,966	-
Unearned Revenue	4,006,196	541,370	4,547,566	-
Accrued Interest Payable	30,637	357,198	387,835	-
Capital Lease Obligations	418,016	128,539	546,555	-
Bonds Payable (Net of Discounts/Premiums)	661,944	2,464,159	3,126,103	-
Payable from Restricted Assets:			-	
Accounts Payable and Accrued Expenses	1,751	82,358	84,109	-
Consumer Deposits	-	117,302	117,302	-
Total Current Liabilities	<u>5,996,653</u>	<u>3,747,031</u>	<u>9,743,684</u>	<u>6,250</u>
Noncurrent Liabilities:				
Accrued Compensated Absences	1,741,828	1,078,313	2,820,141	-
Total OPEB Liability	1,623,078	1,010,263	2,633,341	-
Capital Lease Obligations	616,877	127,314	744,191	-
Bonds Payable (Net of Discounts/Premiums)	3,214,261	45,066,944	48,281,205	-
Payable from Restricted Assets:				
Consumer Deposits	-	228,563	228,563	-
Total Noncurrent Liabilities	<u>7,196,044</u>	<u>47,511,397</u>	<u>54,707,441</u>	<u>-</u>
Total Liabilities	<u>13,192,697</u>	<u>51,258,428</u>	<u>64,451,125</u>	<u>6,250</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Amounts from Beneficial Interest	94,814	-	94,814	-
Deferred Amounts from OPEB	499,152	299,286	798,438	-
Deferred Amounts from Pensions	4,750,264	3,065,787	7,816,051	-
Total Deferred Inflows of Resources	<u>5,344,230</u>	<u>3,365,073</u>	<u>8,709,303</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	9,728,295	45,261,387	54,989,682	-
Restricted:			-	
Expendable	497,666	123,805	621,471	-
Nonexpendable	305,486	-	305,486	3,723,033
Unrestricted	10,846,459	13,303,062	24,149,521	89,050
Total Net Position	<u>\$ 21,377,906</u>	<u>\$ 58,688,254</u>	<u>\$ 80,066,160</u>	<u>\$ 3,812,083</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Gains and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 366,968	\$ 894,657	\$ 550,056	\$ -
Public Safety	6,210,181	336,636	59,417	22,874
Health and Sanitation	4,151,770	5,092,190	71,594	-
Highways	2,299,321	-	458,900	85,540
Culture and Recreation	1,468,008	84,858	616,237	27,678
Interest on Long-Term Debt	117,694	-	-	-
Total Governmental Activities	<u>14,613,942</u>	<u>6,408,341</u>	<u>1,756,204</u>	<u>136,092</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	6,591,893	7,967,271	252,283	-
Regional Wastewater	3,198,822	2,254,416	65,704	-
Sanitary Sewer	3,214,661	5,146,034	42,296	-
Stormwater	746,911	1,126,912	88,964	-
Market House	64,584	41,770	-	-
Total Business-Type Activities	<u>13,816,871</u>	<u>16,536,403</u>	<u>449,247</u>	<u>-</u>
Total Primary Government	<u>\$ 28,430,813</u>	<u>\$ 22,944,744</u>	<u>\$ 2,205,451</u>	<u>\$ 136,092</u>
<b>COMPONENT UNIT</b>				
Culture and Recreation	<u>\$ 89,882</u>	<u>\$ -</u>	<u>\$ 15,426</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hanover Public Library Association
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 1,077,745	\$ -	\$ 1,077,745	\$ -
Public Safety	(5,791,254)	-	(5,791,254)	-
Health and Sanitation	1,012,014	-	1,012,014	-
Highways	(1,754,881)	-	(1,754,881)	-
Culture and Recreation	(739,235)	-	(739,235)	-
Interest on Long-Term Debt	(117,694)	-	(117,694)	-
Total Governmental Activities	<u>(6,313,305)</u>	<u>-</u>	<u>(6,313,305)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Water	-	1,627,661	1,627,661	-
Regional Wastewater	-	(878,702)	(878,702)	-
Sanitary Sewer	-	1,973,669	1,973,669	-
Stormwater	-	468,965	468,965	-
Market House	-	(22,814)	(22,814)	-
Total Business-Type Activities	<u>-</u>	<u>3,168,779</u>	<u>3,168,779</u>	<u>-</u>
Total Primary Government	(6,313,305)	3,168,779	(3,144,526)	-
<b>COMPONENT UNIT</b>				
Culture and Recreation	-	-	-	(74,456)
<b>GENERAL REVENUES</b>				
Taxes:				
Property and Per Capita Taxes	6,292,306	-	6,292,306	-
Income Taxes	2,006,149	-	2,006,149	-
Business Privilege Taxes	498,412	-	498,412	-
Local Services Taxes	512,040	-	512,040	-
Interest and Investment Earnings	92,769	123,619	216,388	980,205
Contributions to Permanent endowments	-	-	-	102,675
Total General Revenues	<u>9,401,676</u>	<u>123,619</u>	<u>9,525,295</u>	<u>1,082,880</u>
<b>CHANGES IN NET POSITION</b>	3,088,371	3,292,398	6,380,769	1,008,424
Net Position - Beginning of Year, as restated	<u>18,289,535</u>	<u>55,395,856</u>	<u>73,685,391</u>	<u>2,803,659</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 21,377,906</u>	<u>\$ 58,688,254</u>	<u>\$ 80,066,160</u>	<u>\$ 3,812,083</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents:				
Unrestricted	\$ 11,090,316	\$ 3,798,372	\$ 84,796	\$ 14,973,484
Restricted	62,873	-	784,334	847,207
Accounts Receivable	272,089	-	-	272,089
Taxes Receivable, Net	702,212	-	-	702,212
Grants Receivable	131,872	-	-	131,872
Unbilled Services	141,616	-	-	141,616
Lease Receivable	528,562	-	-	528,562
Due from Other Governments	129,866	-	-	129,866
Prepaid Items and Deposits	278,695	-	-	278,695
Beneficial Interest in Assets Held by Other	94,814	-	-	94,814
Total Assets	<u>13,432,915</u>	<u>3,798,372</u>	<u>869,130</u>	<u>18,100,417</u>
 Total Assets	 <u><u>\$ 13,432,915</u></u>	 <u><u>\$ 3,798,372</u></u>	 <u><u>\$ 869,130</u></u>	 <u><u>\$ 18,100,417</u></u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2021**

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 318,934	\$ -	\$ 1,220	\$ 320,154
Accrued Wages	163,478	-	-	163,478
Due to Other Funds	343,473	-	-	343,473
Unearned Revenue	111,791	3,786,540	-	3,898,331
Payable from Restricted Assets:				
Accounts Payable and Accrued Expenses	-	-	1,751	1,751
Total Liabilities	<u>937,676</u>	<u>3,786,540</u>	<u>2,971</u>	<u>4,727,187</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Amounts from Lease Receivable	528,562	-	-	528,562
Deferred Amounts from Beneficial Interest	94,814	-	-	94,814
Deferred Amounts from Tax Revenues	192,930	-	-	192,930
Total Deferred Inflows of Resources	<u>816,306</u>	<u>-</u>	<u>-</u>	<u>816,306</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Not in Spendable Form:				
Prepaid Expenses and Deposits	278,695	-	-	278,695
Legally/Contractually Required to be Maintained Intact:				
Recreation Purposes	-	-	305,486	305,486
Restricted:				
Grant Purposes	-	11,832	-	11,832
Capital Projects	-	-	57,638	57,638
Public Safety Purposes	16,222	-	-	16,222
Recreation Purposes	46,651	-	35,595	82,246
Road and Bridges	-	-	387,366	387,366
Assigned:				
Budgetary Reserve	470,429	-	-	470,429
Capital Projects	-	-	1,517	1,517
Recreation Purposes	-	-	78,557	78,557
Unassigned	10,866,936	-	-	10,866,936
Total Fund Balances	<u>11,678,933</u>	<u>11,832</u>	<u>866,159</u>	<u>12,556,924</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,432,915</u>	<u>\$ 3,798,372</u>	<u>\$ 869,130</u>	<u>\$ 18,100,417</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2021**

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Total Fund Balances as Shown on Previous Page	\$ 12,556,924
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	14,561,252
Property and other tax revenues are recognized in the period for which levied, rather than when "available". A portion of the property and other tax revenues are not available and, therefore, are deferred revenue in the governmental funds.	192,930
Other long-term assets are not available to pay for current period resources and, therefore, are deferred in the governmental funds.	441,200
Net pension liability (asset) and related deferred amounts in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	2,180,056
Long-term accrued compensated absences and other postemployment benefits (OPEB) liability and related deferrals are not payable in the current period and, therefore, are reported as wages and insurance expenses in the period during which the absence and service occurs in the governmental funds.	(3,612,721)
Long-term liabilities, including capital lease obligations, bonds payable and related unamortized discounts and premiums, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(4,941,735)</u>
Net Position of Governmental Activities as Reported on the Statement of Net Position (See Page 19-20)	<u><u>\$ 21,377,906</u></u>

*See accompanying Notes to Basic Financial Statements.*

**BOROUGH OF HANOVER, PA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	General Fund	ARPA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 9,311,289	\$ -	\$ -	\$ 9,311,289
Licenses and Permits	667,657	-	-	667,657
Fines and Forfeitures	197,328	-	-	197,328
Interest and Rents	262,355	11,832	12,942	287,129
Intergovernmental	1,190,142	-	421,456	1,611,598
Charges for Services	5,286,963	-	2,360	5,289,323
Donations from Private Sources	319,806	-	10,600	330,406
Miscellaneous	231,565	-	-	231,565
Total Revenues	<u>17,467,105</u>	<u>11,832</u>	<u>447,358</u>	<u>17,926,295</u>
<b>EXPENDITURES</b>				
General Government	1,489,245	-	-	1,489,245
Public Safety	7,250,146	-	-	7,250,146
Health and Sanitation	3,854,120	-	-	3,854,120
Highways	1,524,214	-	255,165	1,779,379
Culture and Recreation	1,164,077	-	11,078	1,175,155
Debt Service	1,189,140	-	44,263	1,233,403
Capital Outlays	444,536	-	70,169	514,705
Total Expenditures	<u>16,915,478</u>	<u>-</u>	<u>380,675</u>	<u>17,296,153</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	551,627	11,832	66,683	630,142
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Capital Lease Obligations	239,968	-	-	239,968
Total Other Financing Sources (Uses)	<u>239,968</u>	<u>-</u>	<u>-</u>	<u>239,968</u>
<b>CHANGES IN FUND BALANCES</b>	791,595	11,832	66,683	870,110
Fund Balances - Beginning of Year	<u>10,887,338</u>	<u>-</u>	<u>799,476</u>	<u>11,686,814</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 11,678,933</u>	<u>\$ 11,832</u>	<u>\$ 866,159</u>	<u>\$ 12,556,924</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

Net Change in Fund Balances as Shown on Previous Page \$ 870,110

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: Capital Outlays	514,705
Less: Depreciation Expense	(1,365,420)

Debt proceeds provide current financial resources to governmental funds, but issuing debt and lease financing increases long-term liabilities in the statement of net position. Repayment of debt and capital lease obligations principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Other costs related to debt issuance and retirement use governmental fund resources, but recognition of expense is deferred and reported as amortization on the statement of net position.

Amortization of Deferred Amounts on Refunding	7,148
Payments on Capital Lease Obligations	468,749
Payments on Bonds Payable	633,000
Proceeds from Capital Lease Obligations	(239,968)

Property and other tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds, including applicable future tax credits payable.	(2,382)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, interfund transfers, trade-ins) is to decrease net position.	22,152
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In the statement of activities, certain expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses include the changes in:

Net Pension Liability (Asset)	3,122,156
Amortization of Deferred Amounts from Pensions	(906,847)
Accrued Interest Payable	6,812
Accrued Compensated Absences	(66,173)
OPEB Liability	65,139
Amortization of Deferred Amounts from OPEB	(40,810)

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (See Pages 21-22)	\$ 3,088,371
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**BOROUGH OF HANOVER, PA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021**

	Water Fund	Regional Wastewater Fund	Sanitary Sewer Fund
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	\$ 4,838,151	\$ 641,370	\$ 3,860,393
Restricted	117,302	-	-
Accounts Receivable	677,975	3,693	375,632
Grant Receivable	-	-	-
Due from Other Governments	-	-	491,169
Due from Other Funds	201,153	133,362	55,675
Unbilled Services	455,254	-	562,601
Inventory	610,713	-	-
Prepaid Expenses and Deposits	88,400	91,168	458,681
Total Current Assets	6,988,948	869,593	5,804,151
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	10,193,700	-	-
Net Pension Asset	3,089,140	1,017,107	605,007
Property and Equipment:			
Land and Land Rights	902,320	-	124,935
Construction in Progress	3,498,120	7,254	329,136
Improvements Other than Buildings	39,139	-	-
Machinery and Equipment	3,105,249	1,013,971	1,413,502
Other Buildings and Improvements	635,280	75,627	176,032
Plant and Infrastructure	57,717,471	53,595,382	7,945,465
Subtotal	65,897,579	54,692,234	9,989,070
Less: Accumulated Depreciation	18,719,001	25,341,838	4,285,361
Property and Equipment, Net	47,178,578	29,350,396	5,703,709
Total Noncurrent Assets	60,461,418	30,367,503	6,308,716
Total Assets	67,450,366	31,237,096	12,112,867
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts from OPEB	119,242	39,124	22,525
Deferred Amounts from Pensions	242,700	70,642	32,147
Deferred Amounts on Refunding	318,863	304,382	76,971
Total Deferred Outflows of Resources	680,805	414,148	131,643

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2021**

	Stormwater Authority	Nonmajor Proprietary Fund	Total Proprietary Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	\$ 508,246	\$ 22,580	\$ 9,870,740
Restricted	-	6,503	123,805
Accounts Receivable	109,395	586	1,167,281
Grant Receivable	54,066	-	54,066
Due from Other Governments	-	-	491,169
Due from Other Funds	34,898	-	425,088
Unbilled Services	141,162	-	1,159,017
Inventory	-	-	610,713
Prepaid Expenses and Deposits	17,876	142	656,267
Total Current Assets	<u>865,643</u>	<u>29,811</u>	<u>14,558,146</u>
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	-	-	10,193,700
Net Pension Asset	582,765	-	5,294,019
Property and Equipment:			
Land and Land Rights	-	-	1,027,255
Construction in Progress	45,999	-	3,880,509
Improvements Other than Buildings	-	23,029	62,168
Machinery and Equipment	43,112	1,500	5,577,334
Other Buildings and Improvements	-	224,684	1,111,623
Plant and Infrastructure	18,289	8,699	119,285,306
Subtotal	<u>107,400</u>	<u>257,912</u>	<u>130,944,195</u>
Less: Accumulated Depreciation	19,929	195,076	48,561,205
Property and Equipment, Net	<u>87,471</u>	<u>62,836</u>	<u>82,382,990</u>
Total Noncurrent Assets	<u>670,236</u>	<u>62,836</u>	<u>97,870,709</u>
Total Assets	1,535,879	92,647	112,428,855
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts from OPEB	23,343	-	204,234
Deferred Amounts from Pensions	58,049	-	403,538
Deferred Amounts on Refunding	-	-	700,216
Total Deferred Outflows of Resources	<u>81,392</u>	<u>-</u>	<u>1,307,988</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2021**

	Water Fund	Regional Wastewater Fund	Sanitary Sewer Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 191,508	\$ 72,915	\$ 21,874
Accrued Wages	34,507	12,790	5,810
Accrued Compensated Absences	-	-	3,983
Unearned Revenue	-	541,370	-
Accrued Interest Payable	221,130	118,050	18,018
Due to Other funds	81,037	-	579
Capital Lease Obligations	11,971	4,228	112,340
Bonds Payable (Net of Discounts/Premiums)	1,113,772	1,343,316	7,071
Payable from Restricted Assets:			
Accounts Payable and Accrued Expenses	82,358	-	-
Consumer Deposits	117,302	-	-
Total Current Liabilities	<u>1,853,585</u>	<u>2,092,669</u>	<u>169,675</u>
Noncurrent Liabilities:			
Accrued Compensated Absences	615,148	261,519	91,661
OPEB Liability	599,019	185,246	100,088
Capital Lease Obligations	18,237	5,983	103,094
Bonds Payable (Net of Discounts/Premiums)	27,687,822	15,302,305	2,076,817
Payable from Restricted Assets:			
Consumer Deposits	228,563	-	-
Total Noncurrent Liabilities	<u>29,148,789</u>	<u>15,755,053</u>	<u>2,371,660</u>
Total Liabilities	31,002,374	17,847,722	2,541,335
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts from OPEB	174,609	57,314	31,272
Deferred Amounts from Pension	1,805,112	574,079	325,844
Total Deferred Outflows of Resources	<u>1,979,721</u>	<u>631,393</u>	<u>357,116</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	28,630,776	12,998,946	3,481,358
Restricted	117,302	-	-
Unrestricted	6,400,998	173,183	5,864,701
Total Net Position	<u>\$ 35,149,076</u>	<u>\$ 13,172,129</u>	<u>\$ 9,346,059</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
DECEMBER 31, 2021**

	Stormwater Authority	Nonmajor Proprietary Fund	Total Proprietary Funds
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 43,516	\$ 1,040	\$ 330,853
Accrued Wages	7,277	374	60,758
Accrued Compensated Absences	3,983	-	7,966
Unearned Revenue	-	-	541,370
Accrued Interest Payable	-	-	357,198
Due to Other funds	-	-	81,616
Capital Lease Obligations	-	-	128,539
Bonds Payable (Net of Discounts/Premiums)	-	-	2,464,159
Payable from Restricted Assets:			
Accounts Payable and Accrued Expenses	-	-	82,358
Consumer Deposits	-	-	117,302
Total Current Liabilities	<u>54,776</u>	<u>1,414</u>	<u>4,172,119</u>
Noncurrent Liabilities:			
Accrued Compensated Absences	106,551	3,434	1,078,313
OPEB Liability	125,910	-	1,010,263
Capital Lease Obligations	-	-	127,314
Bonds Payable (Net of Discounts/Premiums)	-	-	45,066,944
Payable from Restricted Assets:			
Consumer Deposits	-	-	228,563
Total Noncurrent Liabilities	<u>232,461</u>	<u>3,434</u>	<u>47,511,397</u>
Total Liabilities	287,237	4,848	51,683,516
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts from OPEB	36,091	-	299,286
Deferred Amounts from Pension	360,752	-	3,065,787
Total Deferred Outflows of Resources	<u>396,843</u>	<u>-</u>	<u>3,365,073</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	87,471	62,836	45,261,387
Restricted	-	6,503	123,805
Unrestricted	<u>845,720</u>	<u>18,460</u>	<u>13,303,062</u>
Total Net Position	<u>\$ 933,191</u>	<u>\$ 87,799</u>	<u>\$ 58,688,254</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Regional Wastewater Fund	Sanitary Sewer Fund
<b>OPERATING REVENUES</b>			
Water, Sewer, and Stormwater Fees	\$ 7,658,041	\$ -	\$ 4,847,088
Wastewater Treatment Charges	-	2,130,440	-
Market Stall Rents	-	-	-
Other Revenues	221,528	976	193,816
Total Operating Revenues	<u>7,879,569</u>	<u>2,131,416</u>	<u>5,040,904</u>
<b>OPERATING EXPENSES</b>			
Administrative and General	153,237	53,283	65,339
Contractual Services	479,962	201,493	26,490
Depreciation and Amortization	1,090,023	1,355,847	318,306
Materials and Supplies	716,618	229,014	8,368
Personnel Services	2,466,873	881,465	490,524
Repairs and Maintenance	147,989	170,527	138,611
Treatment	-	-	1,584,628
Utilities	672,074	312,321	9,408
Total Operating Expenses	<u>5,726,776</u>	<u>3,203,950</u>	<u>2,641,674</u>
<b>OPERATING INCOME (LOSS)</b>	2,152,793	(1,072,534)	2,399,230
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Disposition of Assets	(22,124)	123,000	-
Interest and Rents	205,120	3,504	126,637
Noncapital Contributions	200,574	65,704	42,296
Other Revenues	160	-	-
Interest Expense	(865,117)	5,128	(572,987)
Total Nonoperating Revenues (Expenses)	<u>(481,387)</u>	<u>197,336</u>	<u>(404,054)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	1,671,406	(875,198)	1,995,176
Capital Contributions	51,709	-	-
Interfund Transfers	-	1,220,000	(1,220,000)
<b>CHANGES IN NET POSITION</b>	1,723,115	344,802	775,176
Net Position - Beginning of Year	<u>33,425,961</u>	<u>12,827,327</u>	<u>8,570,883</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 35,149,076</u>	<u>\$ 13,172,129</u>	<u>\$ 9,346,059</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

	Stormwater Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Water, Sewer, and Stormwater Fees	\$ 1,230,060	\$ -	\$ 13,735,189
Wastewater Treatment Charges	-	-	2,130,440
Market Stall Rents	-	36,396	36,396
Other Revenues	140	-	416,460
Total Operating Revenues	<u>1,230,200</u>	<u>36,396</u>	<u>16,318,485</u>
<b>OPERATING EXPENSES</b>			
Administrative and General	19,448	2,478	293,785
Contractual Services	162,257	-	870,202
Depreciation and Amortization	8,021	10,575	2,782,772
Materials and Supplies	7,833	1,091	962,924
Personnel Services	483,104	29,522	4,351,488
Repairs and Maintenance	52,752	4,697	514,576
Treatment	-	-	1,584,628
Utilities	13,496	16,221	1,023,520
Total Operating Expenses	<u>746,911</u>	<u>64,584</u>	<u>12,383,895</u>
<b>OPERATING INCOME (LOSS)</b>	483,289	(28,188)	3,934,590
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Disposition of Assets	-	-	100,876
Interest and Rents	(101,243)	1,109	235,127
Noncapital Contributions	88,964	-	397,538
Other Revenues	-	5,374	5,534
Interest Expense	-	-	(1,432,976)
Total Nonoperating Revenues (Expenses)	<u>(12,279)</u>	<u>6,483</u>	<u>(693,901)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	471,010	(21,705)	3,240,689
Capital Contributions	-	-	51,709
Interfund Transfers	-	-	-
<b>CHANGES IN NET POSITION</b>	471,010	(21,705)	3,292,398
Net Position - Beginning of Year	<u>462,181</u>	<u>109,504</u>	<u>55,395,856</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 933,191</u>	<u>\$ 87,799</u>	<u>\$ 58,688,254</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2021**

	Water Fund	Regional Wastewater Fund	Sanitary Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 8,053,693	\$ 2,592,849	\$ 4,622,649
Cash Paid to Suppliers	(2,091,125)	(944,397)	(2,099,882)
Cash Paid for Interfund Services	(67,686)	(337,114)	579
Cash Paid to Employees	(3,492,243)	(1,160,441)	(774,044)
Net Cash Provided (Used) by Operating Activities	<u>2,402,639</u>	<u>150,897</u>	<u>1,749,302</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipt of Noncapital Contributions	200,574	65,704	42,296
Net Cash Received from Other Funds	-	1,220,000	-
Net Cash Paid to Other Funds	-	-	(1,220,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>200,574</u>	<u>1,285,704</u>	<u>(1,177,704)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	(22,124)	123,000	-
Receipt of Contributed Capital and Development Charges	51,709	-	515,980
Interest Paid	(830,218)	(997)	(575,066)
Purchase of Capital Assets	(3,634,738)	(213,799)	(422,344)
Payments on Long-Term Debt	(840,643)	(1,220,000)	(843)
Repayment of Consumer Deposits	(117,302)	(3,901)	(147,840)
Net Cash Used in Capital and Related Financing Activities	<u>(5,393,316)</u>	<u>(1,315,697)</u>	<u>(630,113)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Miscellaneous Income Received	160	-	-
Rent Income Received	109,666	-	105,112
Interest Received	95,454	3,504	21,507
Net Cash Provided (Used) by Investing Activities	<u>205,280</u>	<u>3,504</u>	<u>126,619</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(2,584,823)</u>	<u>124,408</u>	<u>68,104</u>
Cash and Cash Equivalents - Beginning of Year	<u>17,733,976</u>	<u>516,962</u>	<u>3,792,289</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 15,149,153</u>	<u>\$ 641,370</u>	<u>\$ 3,860,393</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	\$ 4,838,151	\$ 641,370	\$ 3,860,393
Restricted	117,302	-	-
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	10,193,700	-	-
Total Cash	<u>\$ 15,149,153</u>	<u>\$ 641,370</u>	<u>\$ 3,860,393</u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

	Stormwater Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,232,201	\$ 35,122	\$ 16,536,514
Cash Paid to Suppliers	(201,257)	(24,156)	(5,360,817)
Cash Paid for Interfund Services	(3,713)	-	(407,934)
Cash Paid to Employees	(622,712)	(26,910)	(6,076,350)
Net Cash Provided (Used) by Operating Activities	404,519	(15,944)	4,691,413
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipt of Noncapital Contributions	88,964	-	397,538
Net Cash Received from Other Funds	-	-	1,220,000
Net Cash Paid to Other Funds	(34,898)	-	(1,254,898)
Net Cash Provided (Used) by Noncapital Financing Activities	54,066	-	362,640
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Capital Assets	-	-	100,876
Receipt of Contributed Capital and Development Charges	(54,066)	-	513,623
Interest Paid	-	-	(1,406,281)
Purchase of Capital Assets	(47,254)	(13,535)	(4,331,670)
Payments on Long-Term Debt	-	-	(2,061,486)
Repayment of Consumer Deposits	-	-	(269,043)
Net Cash Provided (Used) by Capital and Related Financing Activities	(101,320)	(13,535)	(7,453,981)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Miscellaneous Income Received	-	5,374	5,534
Rent Income Received	(103,288)	-	111,490
Interest Received	2,045	1,109	123,619
Net Cash Provided (Used) by Investing Activities	(101,243)	6,483	240,643
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	256,022	(22,996)	(2,159,285)
Cash and Cash Equivalents - Beginning of Year	252,224	52,079	22,347,530
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 508,246</b>	<b>\$ 29,083</b>	<b>\$ 20,188,245</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION</b>			
Current Assets:			
Cash and Cash Equivalents:			
Unrestricted	\$ 508,246	\$ 22,580	\$ 9,870,740
Restricted	-	6,503	123,805
Noncurrent Assets:			
Cash and Cash Equivalents - Restricted	-	-	10,193,700
Total Cash	<b>\$ 508,246</b>	<b>\$ 29,083</b>	<b>\$ 20,188,245</b>

See accompanying Notes to Basic Financial Statements.



**BOROUGH OF HANOVER, PA  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021**

	Pension (and Other Employee Benefit) <u>Trust Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 2,618,888
Contributions and Pension Benefits Receivable	14,993
Due from Broker	27,403
Accrued Interest Receivable	66,336
Investments	<u>68,243,158</u>
Total Assets	<u>70,970,778</u>
 <b>NET POSITION</b>	
Restricted for Postemployment Benefits Other than Pension	456,924
Restricted for Pension Benefits	<u>70,513,854</u>
Total Net Position	<u><u>\$ 70,970,778</u></u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2021**

	<u>Pension (and Other Employee Benefit) Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 617,785
Commonwealth	901,889
Plan Members	<u>281,541</u>
Total Contributions	1,801,215
Investment Income:	
Interest Income	799,337
Net appreciation in fair value of investments	6,811,020
Dividends	<u>398,834</u>
Total Investment Income	8,009,191
Less: Investment Expense	<u>267,083</u>
Net Investment Income	<u>7,742,108</u>
Total Additions	9,543,323
<b>DEDUCTIONS</b>	
Benefits	2,712,898
Administrative Expense	<u>27,774</u>
Total Deductions	2,740,672
<b>CHANGES IN NET POSITION</b>	6,802,651
Net Position - Beginning of Year	<u>64,168,127</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 70,970,778</u></u>

See accompanying Notes to Basic Financial Statements.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Hanover, Pennsylvania (the Borough) operates under a Council-manager form of government and provides the following services as authorized by the Borough Code: Public Safety - Police and Fire, Highways and Streets, Sanitation, Public Service, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, Water, Sanitary Sewer, Stormwater, Market House Rentals, and General Administrative Services.

The Borough's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Component Units

In evaluating how to define the Borough for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Borough is able to exercise oversight responsibilities. Blended component units, although legally separate entities, are in substance, part of the Borough's operations and so data from these units are combined with data from the Borough, the primary government. Based upon the application of these criteria, the following are component units of the Borough:

Borough of Hanover Stormwater Authority (Authority)

*Blended Component Unit* – In November 2018, Certificate of Incorporation was filed to create the Authority to manage the Borough's implementation and operation of the Municipal Separate Storm Sewer (MS4) Program, with permit currently pending State approval. The Borough Council appoints a voting majority of the authority's board, and guides all management functions of the entity. Separate financial statements of the Authority are not prepared.

Hanover Public Library Association (HPLA), Inc.

*Major Discretely Presented Component Unit* – The HPLA, founded in 1910, was incorporated particularly to promote and stimulate interest among members and people of Hanover and vicinity and render assistance in the building, equipping, and maintaining of the Guthrie Memorial Library, and to provide support for literacy and educational undertakings.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Reporting Entity (Continued)**

Component Units (Continued)

Hanover Public Library Association (HPLA), Inc. (Continued)

The HPLA's economic resources almost entirely directly benefit the Borough. The HPLA's fiscal year ended March 31, 2021, audited financial statements have been prepared in accordance with Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which is a basis of accounting that differs from the Borough. Financial presentations of the component unit in the Borough's government-wide financial statements and selected following disclosures are presented based on the ASC 958 guidance. Separate audited financial statements of the HPLA are available upon request at the Guthrie Memorial Library.

Fire Drivers' Postemployment Health Plan (PEHP)

*Blended (Fiduciary) Component Unit* – The Fire Drivers' PEHP, created in 2009, was established by the Borough, pursuant to Internal Revenue Code Section 501(c)(9), to provide contributions, on behalf of its eligible employees, to assist with post-employment health care needs and expenses. Separate financial statements of the Fire Drivers' PEHP are not prepared.

Joint Ventures

A joint venture is a legal entity that results from a contractual arrangement owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. Joint control means no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services. The Borough has the following significant joint venture relationships:

Hanover Area Fire and Rescue Commission (the Commission)

In December 2016, the Borough (through Ordinance) approved an Intergovernmental Cooperation Agreement with Penn Township for creation of the "Hanover Area Fire and Rescue" district, formally effective February 1, 2018, for an initial period of seven years. All Fire Department personal and real property of the Borough was transferred to the Commission shortly thereafter. The Commission pooled resources and funds to establish and operate a regional fire and emergency services response district under Commission control. The Commission includes appointed members from the Borough, Penn Township, volunteer fire and rescue organization, and an at-large member - no one organization appoints a majority of the members. The Commission continues to be serviced by employees of the respective municipalities' paid Fire Departments, with a joint Fire Chief and Executive Secretary, equally funded by each municipality.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. New Accounting Pronouncements Adopted**

There were no GASB Statement implemented by the Borough during the year ended December 31, 2021.

**C. Basic Financial Statements**

Government-Wide Financial Statements

The Borough's basic financial statements include both the government-wide (reporting the Borough as a whole) and fund financial statements (reporting the Borough's major and nonmajor funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The Borough's general administrative, public safety, health and sanitation, highways, and culture and recreation services are classified as governmental activities. The Borough's water, regional wastewater, sanitary sewer, stormwater, and market house services are classified as business-type activities. Administrative overhead charges are made to funds and programs and are thereby included in the direct expenses of those funds and programs.

This government-wide focus is more on the sustainability of the Borough as an entity and the change in the Borough's net position resulting from the current year's activities.

In the government-wide statement of net position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources. Fiduciary funds are not included in the government-wide financial statements. The Borough's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The Borough first utilizes restricted resources to finance qualifying activities.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements (Continued)**

Government-Wide Financial Statements (continued)

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, highways, etc.), which are otherwise being supported by general government revenues (property and income taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. The program revenues must be directly associated with the function or business-type activity. Program revenues include revenues from licenses and permit fees, fines and forfeitures, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues (property and income taxes, certain intergovernmental revenues, interest income, etc.) The Borough does not allocate indirect costs.

Fund Financial Statements

The financial transactions of the Borough are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C Basis Financial Statements (Continued)**

Fund Financial Statements (Continued)

The Borough utilizes various criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

**1. Governmental Funds**

Governmental funds are those through which most governmental functions of the Borough are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is a description of the Borough's major governmental funds:

**General Fund**

The general fund accounts for all financial resources, except those required to be accounted for in another fund. The general fund consists of the following internal reporting funds: General Operating and Guthrie Memorial Library Funds.

**ARPA Fund**

The ARPA fund accounts for funding received by the Borough related to the American Rescue Plan Act and the related expenditures.

The following is a description of the Borough's Nonmajor Governmental Funds:

**Capital Projects Fund**

The capital projects fund accounts for financial resources used for the acquisition and construction of major capital facilities that are not financed by proprietary funds. This fund includes certain road improvement and construction projects related to the Transfer Station, and general obligation bond issuances for governmental fund purposes. Fund balance has been specifically restricted or assigned, as applicable, for these purposes.

**Highway Liquid Fuels Fund**

The highway liquid fuels fund accounts for legally restricted revenues derived from Commonwealth gasoline taxes. Expenditures are restricted by Commonwealth law to Borough road and bridge repairs, maintenance, and improvement programs. Fund balance has been specifically restricted for these purposes.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements (Continued)**

Fund Financial Statements (Continued)

**1. Governmental Funds (Continued)**

**Recreation Fund**

The recreation fund accounts for donations and recreation activities charges to benefit the Borough's recreation facilities and operations, and related earnings are held until they are authorized for expenditure or transfer by the Hanover Recreation Board.

**Recreation Endowment Fund**

The recreation endowment fund accounts for contributions to a permanent endowment for benefit of the Borough's recreation facilities and operations, and related earnings are held until they are authorized for expenditure or transfer by the Hanover Recreation Board.

**Library Endowment Fund**

The library endowment fund accounts for contributions restricted for benefit of the Guthrie Memorial Library facilities and operations, and related earnings are held until they are authorized for expenditure or transfer by the Borough.

**2. Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, change in net position, financial position, and cash flows. The GAAP applicable are those similar to businesses in the private sector. 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 the proprietary fund's principal ongoing operations. The principal operating revenues for the Borough's proprietary funds are charges for water, sewer, and wastewater treatment services and market stall rentals. Operating expenses for the Borough's proprietary funds include administrative and general costs, contractual services, depreciation on capital assets, materials and supplies, personnel services, transmission and distribution, repairs and maintenance, water and sewer treatment costs, and utilities. All revenues or expenses not meeting this definition are reported as nonoperating revenues/expenses.



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements (Continued)**

Fund Financial Statements (Continued)

**2. Proprietary Funds (Continued)**

The Borough's proprietary funds are all classified as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the Borough's major enterprise funds:

**Water Fund**

The water fund is used to account for the revenues generated from the charges for distribution of water to residential, commercial, industrial, and public users of the Borough.

**Regional Wastewater Fund**

The regional wastewater fund is used to account for the revenues generated from the charges for sanitary sewer services provided for residential, commercial, industrial, and public users located outside of the Borough limits on behalf of regional municipalities participating in regional wastewater treatment plant use governed by intermunicipal agreements, and for interfund charges for sanitary sewer usage.

**Sanitary Sewer Fund**

The sanitary sewer fund is used to account for the revenues generated from the charges for sanitary sewer services provided for the residential, commercial, industrial, and public users of the Borough.

**Stormwater Authority Fund (Blended Component Unit)**

The stormwater authority fund is used to account for the revenues generated from the charges for stormwater services provided for residential, commercial, industrial, and public users of the Borough.

The following is a description of the Borough's Nonmajor Proprietary Fund:

**Market House Fund**

The market house fund is used to account for the revenues generated from vendors renting space for a farmers' market.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statements (Continued)**

Fund Financial Statements (Continued)

**3. Fiduciary Funds**

Fiduciary funds are used to account for resources held by the Borough in a trustee capacity for individuals, private organizations, or other governments and, therefore, are not available to support the Borough's own programs. The fiduciary funds of the Borough are the pension (and other employee benefit) trust funds.

For accounting measurement purposes, the pension (and other employee benefit) trust funds are accounted for in essentially the same manner as proprietary funds. The pension (and other employee benefit) trust funds account for resources of the Borough's Police, Fire Drivers' and Hanover Employees' Pension Funds Plans, and the Fire Drivers' PEHP Fund Plan.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide, proprietary funds, and fiduciary funds financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property and other taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligible requirements imposed by the provider have been met.

Modified Accrual

The governmental funds financial statements are reporting using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Accounting (Continued)**

Modified Accrual (Continued)

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met.

Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and as unearned revenue or a deferred inflow of resources by the recipient.

**E. Cash and Cash Equivalents and Depository Pool**

For purposes of the statement of cash flows, the Borough considers all highly liquid certificates of deposit and investments purchased with an original maturity of three months or less to be cash equivalents, and the carrying amount approximates estimated fair value because of the short maturity of those instruments. The majority of the Borough's cash deposits are pooled into a common pooled account in order to maximize investment opportunity. Each fund whose monies are deposited in the pooled account has equity therein, and interest earned on the account is allocated based upon relative equity at month-end.

**F. Investments**

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), bond and mutual funds, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. Money market investments that have a remaining maturity at the time of purchase of one year or less are measured at amortized cost.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to investment operations, as well as the internal administrative expenses associated with the investment program.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

*Level 1* – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2* – Inputs are those other than quoted prices within level 1 - that are observable for an asset or liability, either directly or indirectly.

*Level 3* – Inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**H. Inventory**

Inventories of materials and supplies are maintained in the water fund.

Materials and supplies maintained in the water fund are carried in an inventory account at cost using an average costing method. The water fund subsequently charge inventory to expenditures when consumed.

All other fund types expense inventoriable items when purchased.

**I. Capital Assets**

Capital assets used in governmental fund type operations are accounted for in the government-wide financial statements, rather than in governmental funds.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Capital Assets (Continued)**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Capital assets with an individual value of \$5,000 or more are capitalized by the Borough except for water fund additions, which are capitalized if their value is \$750 or greater, per National Association of Regulatory Utility Commissioners (NARUC) Accounting Instruction standards adopted by the Pennsylvania Public Utilities Commission (PUC). Effective January 1, 2018, the cost of interest incurred during the construction of capital assets is expensed as incurred for all funds.

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

Improvements Other than Buildings	5 to 20 Years
Machinery and Equipment	5 to 20 Years
Other Buildings and Improvements	5 to 50 Years
Plant and Infrastructure	20 to 125 Years

Government-Wide Financial Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. The Borough elected to retroactively report all general infrastructure assets in a prior year, which includes roads, bridges, traffic signals, utility facilities, and storm sewers and drains. The Borough elected not to retroactively report intangible assets identified as having indefinite useful lives or being internally generated. All intangible assets identified as having indefinite useful lives acquired or being internally generated after December 31, 2009, are reported at historical cost. Depreciation of all exhaustible capital assets is recorded as a direct expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

Additions are recorded at cost or, if contributed property, at their acquisition value at time of contribution. Repairs and maintenance are recorded as expenditures/expenses; renewals and betterments are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental funds operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition. Capital assets used in proprietary funds operations are accounted for in the same manner as in the government-wide financial statements.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. In addition to deferrals related to pensions (disclosed in respective notes below), the Borough reports deferred amounts on refunding in the statement of net position, resulting from the difference in the carrying value of the refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferrals related to pensions, beneficial interest in assets held by others, and tax revenues are disclosed in their respective notes below.

**K. Unearned Revenue**

Charges for services and other amounts collected in advance are recorded as unearned revenue as a current liability.

**L. Interfund Activity**

Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another, without a requirement for repayment, are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. Interfund balances are expected to be repaid within the following calendar year.

The Borough allocates to several funds a percentage of the salaries and wages and related costs of personnel who perform general and administrative services for such funds but are paid through the general fund. Health and life insurance costs are allocated based on the respective employees' primary fund and function.

**M. Accrued Compensated Absences**

Through various collective bargaining agreements and Codification, the Borough permits employees to accumulate and carry over various levels of vacation and sick leave, a portion of each are payable at termination. The salary-related payments representing the employer's share of Social Security and Medicare taxes have been accrued. The vested annual leave is expensed as incurred in the appropriate funds.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Accrued Compensated Absences (Continued)**

Accrued compensated absences are accrued when incurred in the government-wide financial statements and in the proprietary funds, with current portions recognized for anticipated or known retirements as of the reporting date. In the governmental fund financial statements, the portion of the liability which is matured and payable is included in accrued compensated absences liability and the unmatured portion is not reported.

**N. Bond Discounts, Premiums, Deferred Amounts on Refunding, and Issuance Costs**

In the government-wide and proprietary funds financial statements, bond discounts, premiums, and deferred amounts on refunding are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Unamortized bond discounts and premiums are netted against bonds payable for presentation, and unamortized deferred amounts on refunding are presented as deferred outflows of resources. Bond issuance costs, excluding amounts prepaid for bond insurance, are expensed as incurred.

In the governmental funds financial statements, bond discounts, premiums, and issuance costs are expensed in the year of the bond issuance. Bond discounts and premiums are netted against bond proceeds and reported as "Other Financing Sources." Bond issuance costs are expensed as "Debt Service."

**O. Net Position and Fund Balances**

In the government-wide, proprietary funds, and fiduciary funds financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and accounts payable and retainage payable that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors (including those who have donated to the Guthrie Memorial Library and recreation endowments, in both expendable and nonexpendable forms) or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This category represents the net position of the Borough that is not restricted for any project or other purpose. However, these funds may be constrained for specific projects or purposes in the fund financial statements.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Net Position and Fund Balances (Continued)**

In the governmental fund financial statements, fund balances are classified in the following categories:

Nonspendable Fund Balance

This category represents amounts that are not in spendable form (such as inventory and long-term receivables) or are required to be maintained intact (such as permanent endowments).

Restricted Fund Balance

This category represents amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance

This category represents amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance

This category represents amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance

This category represents amounts that are available for any purpose.

The Borough has adopted a fund balance and financial reserves policy. For the classification of fund balances, the policy considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. When an expense is incurred for purposes for which both restricted and unrestricted fund balances are available, restricted resources are applied first. Also, for the classification of fund balances, the Borough considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

For committed fund balance, the Borough's highest level of decision-making authority is the Borough Council. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is an ordinance.



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Net Position and Fund Balances (Continued)**

For assigned fund balance, the Borough Council is authorized to assign amounts to a specific purpose. The authorization policy is a formal motion.

**P. Budgets and Budgetary Accounting**

The Borough adopts an annual operating budget for the general, highway liquid fuels, water, regional wastewater, sanitary sewer, stormwater authority, and nonmajor proprietary fund. Each budget is presented on a basis consistent with the modified accrual basis of accounting. All appropriations lapse at the end of each year and must be reappropriated.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Beginning at least 30 days prior to the adoption of the budget, a proposed budget for the ensuing year shall be prepared in the manner designated by the Borough Council. This budget shall be kept on file for public inspection for a period of 10 days.
2. After the 10-day period has expired, the Borough Council shall make such revisions in the budget as shall be deemed advisable.
3. Upon completion of the budget, which shall be no later than December 31, it shall be the duty of the Borough Council to adopt an ordinance, levying the taxes referred to in this act for the fiscal year, for approval of the mayor or passage over his/her veto.

The budget is prepared by fund and department and is approved at the department level. The department level presented in the Budgetary Comparison Schedule, included as required supplementary information, represents the legal level of budgetary control. Once a budget is approved, it can be amended by the Borough Council with reasonable discretion. There were no budget revisions approved by the Borough Council during the year ended December 31, 2021.

The following expenditure categories exceeded appropriations for the year ended December 31, 2021:

General Government	\$17,296
Public Safety	20,035
Health and Sanitation	217,831

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Estimates**

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingencies, and the reported revenues and expenditures/expenses. Actual results could vary from the estimates that were used. Significant areas where estimates are made include allowance for doubtful accounts and depreciable lives.

**R. Subsequent Events**

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through August 17, 2022, the date the financial statements were available to be issued.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Primary Government**

The Borough is governed by the deposit and investment limitations of Commonwealth of Pennsylvania (Commonwealth) law. Commonwealth statutes require that any depository holding public funds maintain investment securities in amounts equal to the total of all public funds on deposit. The securities may be held in the name of the depository but must be pledged as collateral for those public funds.

The Borough is authorized to invest in United States (U.S.) Treasury bills, obligations of the U.S. Government or Commonwealth of Pennsylvania and related agencies, repurchase agreements, and qualifying money market investments, including pooled investment funds such as the Pennsylvania Local Government Investment Trust (PLGIT). Act 10 of 2016 permitted the expansion of investments, including commercial paper, bankers' acceptances, and negotiable certificates of deposit. In addition, the Municipal Codes authorize additional investment options for pension funds as indicated in the Pennsylvania Uniform Trust Act (20 PA C.S.), including (but not limited to) common and preferred stocks, corporate bonds, REIT's, and mutual funds.

The Borough has separate investment policies for each of its three pension plans. In addition, the Borough has a formal investment policy (operating investment policy) in relation, but not limited, to operating and reserve funds, proceeds from certain bond issues, and designated or other pledged assets under the direction of the Borough.

**B. Deposits and Cash on Hand**

The deposits held as of December 31, 2021, were as follows:

Type	Carrying Value
Demand Deposits	\$ 2,425,605
Money Market Deposits	33,581,452
Cash on Hand	1,879
Total	\$ 36,008,936

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Deposits and Cash on Hand (Continued)**

Reconciliation to Financial Statements -  
Statement of Net Position:

Current Assets:

Cash and Cash Equivalents:

Unrestricted	\$ 24,844,224
Restricted	971,012

Noncurrent Assets:

Cash and Cash Equivalents - Restricted	10,193,700
Total	<u>\$ 36,008,936</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough's operating investment policy establishes insurance, collateral, pledging, and reporting requirements for financial institutions to limit exposure of custodial credit risk. The Borough does not have written policy for custodial credit risk in relation to its pension funds. As of December 31, 2021, Borough and Stormwater Authority deposits in financial institutions had bank balances of \$37,020,690 and \$109,625, respectively, of which \$36,769,611 and \$0, respectively, was exposed to custodial credit risk.

**C. Investments**

The composition of investments held as of December 31, 2021, reported at fair value, were as follows:

Type and Ratings*	Interest Maturities (in Years) (Unaudited)					Total Fair Value
	Less than 1	1 to 5	6 to 10	More than 10	Not Applicable	
Corporate Bonds - AA+ to BBB- Equity Securities and Equity Mutual Funds - N/A	\$ 138,897	\$ 1,217,603	\$ 667,016	\$ 557,732	\$ -	\$ 2,581,248
Fixed Income Mutual Funds - AAA to B	-	-	-	-	52,597,841	52,597,841
Money Market Investments - AAA, A+, or Not Rated	1,923,336	1,200,684	893,580	275,253	-	4,292,853
Other Equity Investments - N/A	13,783,600	-	-	-	-	13,783,600
U.S. Agencies - Pools - AA+ or AGY	-	-	21,021	1,444,524	-	1,465,545
U.S. Treasury Obligations - AAA or TSY	-	-	-	-	-	-
	372,108	1,287,113	341,630	703,289	-	2,704,140
Total	<u>\$ 16,217,941</u>	<u>\$ 3,705,400</u>	<u>\$ 1,923,247</u>	<u>\$ 2,980,798</u>	<u>\$ 57,199,372</u>	<u>\$ 82,026,758</u>

\* Ratings are unaudited; information from Standard and Poor's (S&P). U.S. Treasury Obligations issued are explicitly guaranteed by the U.S. Government.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

Reconciliation to Financial Statements -	
Statement of Net Position:	
Current Assets:	
Cash and Cash Equivalents - Restricted	\$ 971,012
Noncurrent Assets:	
Cash and Cash Equivalents - Restricted	10,193,700
Statement of Fiduciary Net Position:	
Pension (and Other Employee Benefit)	
Trust Funds:	
Cash and Cash Equivalents	2,618,888
Investments	<u>68,243,158</u>
Total	<u><u>\$ 82,026,758</u></u>

**1. Custodial Credit Risk**

Investment custodial credit risk is the risk that the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Borough's formal investment policies require for financial institutions to purchase securities in the Borough's name, and hold by a custodian bank on the Borough's behalf to limit exposure of custodial credit risk. The Borough does not have written policy for investment custodial credit risk in relation to its pension funds. All of the Borough's investments are held by the financial institutions' trust departments or agents, not in the Borough's name.

The institutions holding the Borough's investments are members of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker, however only up to \$250,000 for cash. The Borough has over \$500,000 in investments at each of the institutions, thus would be insured \$500,000 at each institution by the SIPC in the event such failure or misappropriation occurs.

**2. Interest Rate Risk**

The Hanover Employees' Pension Plan's formal investment policy states that at the time of purchase, the maximum final maturity for any single issue will not exceed 100 years and the portfolio average effective duration will not exceed seven years and will be within +/- 20% of the specified performance benchmark. The Borough's operating investment policy limits maximum final maturity for operating funds for any single issue to 397 days from purchase date to maturity date, and for reserve funds for any single issue to five years from purchase date to maturity date.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

**2. Interest Rate Risk (Continued)**

The Borough does not have formal investment policies that limit exposure to fair value losses arising from increasing interest rates for the Police and Fire Drivers' Pension Plans as well as the Fire Drivers' PEHP. Maturities of investments held as of December 31, 2021, are provided in the previous schedule.

**3. Credit Risk and Concentration of Credit Risk**

Investments in entities that are subject to credit risk are limited to those held by the Pension Trust and Nonmajor Governmental Funds. The ratings for all investments currently held by the Pension Trust and Nonmajor Governmental Funds are summarized in the previous schedule. The Borough does not have formal investment policy that limits exposure to credit and concentration of credit risk for the Fire Drivers' PEHP Fund Plan. The investment policies for the Borough's Pension Trust Funds limit its investment choices and maximum investment in any one fixed income security issuer as follows:

	Pension Plans		
	Police	Fire Drivers'	Hanover Employees'
Prohibited Investments	None	Non-"Traditional Asset Classes"	Non-U.S. Dollar-Denominated Securities and Non-"Traditional Asset Classes"
Maximum Concentrations	None	None	5%, with Select Investments Limited to 5% of Portfolio

The Hanover Employees' Pension Plan investment policy also addresses the eligible fixed income investments permitted and their respective ratings, based on one or more nationally recognized statistical rating organizations, and portfolio limits, and all Pension Trust Fund investment policies provide asset allocation guidelines for minimum, maximum, and benchmark levels of investment holdings of the respective plans.

The Borough's operating investment policy sets various limits for the percentage of maximum allocation and maximum invested in a single issuer (excluding U.S. Government Securities, certain money market funds, and Local Government Investment Pools) for various classes of security types, and further restrictions for registered money market mutual funds of Local Government Investment Pools to maximum invested of 10% of the outstanding shares of said fund or Pool.

There were no investments that exceeded 5% of plan net position for these funds as of December 31, 2021.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Restrictions**

Restricted deposits and investments of governmental funds as of December 31, 2021, are comprised of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Current Assets:			
Cash and Cash Equivalents:			
Funds Held for Future Public Safety Purposes	\$ 16,222	\$ -	\$ 16,222
Funds Held for Future Recreation Purposes	46,651	35,595	82,246
Funds Held for Road and Bridges	-	385,615	385,615
Noncurrent Assets:			
Cash and Cash Equivalents:			
Funds Held for Future Recreation Purposes	-	305,486	305,486
Funds Held for Future Capital Expansion	-	57,638	57,638
Total Restricted Deposits and Investments	\$ 62,873	\$ 784,334	\$ 847,207

Restricted deposits and investments of proprietary funds as of December 31, 2021, are comprised of the following:

	Water Fund	Nonmajor Proprietary Fund	Total Proprietary Funds
Current Assets:			
Cash and Cash Equivalents:			
Funds Held for Future Capital Expansion	\$ -	\$ 6,503	\$ 6,503
Consumer Deposit Agreement Refunds	117,302	-	117,302
Noncurrent Assets:			
Cash and Cash Equivalents:			
Funds Held for Future Capital Expansion	9,965,137	-	9,965,137
Consumer Deposit Agreement Refunds	228,563	-	228,563
Total Restricted Cash and Cash Equivalents	\$ 10,311,002	\$ 6,503	\$ 10,317,505

The Borough is required to refund the majority of consumer deposit agreements over a straight-line ten-year period following the year of receipt. A corresponding liability for consumer deposits has been recognized (see Long-Term Debt note for additional disclosure).

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. HPLA**

**1. Cash**

The HPLA maintains its cash accounts at one financial institution, with balances insured by FDIC up to \$250,000. The HPLA has no uninsured funds as of March 31, 2021.

**2. Investments**

Investments of the endowment fund by type consisted of the following as of March 31, 2021:

Type	Cost	Market Value
Cash and Cash Equivalents	\$ 58,205	\$ 58,205
Equities	1,951,915	2,528,669
Fixed Income Securities	1,108,962	1,111,154
Total	\$ 3,119,082	\$ 3,698,028

Investment activity for the year ended March 31, 2021, totaled \$1,005,239, comprised of \$102,675 in contributions, \$77,500 in distributions, and \$994,751 of investment return, net of fees of \$14,687.

**NOTE 3 DONOR-RESTRICTED ENDOWMENTS AND RELATED ARRANGEMENTS**

**A. Primary Government**

The Borough maintains donor-restricted permanent endowments with principal balances of \$305,486 and \$35,595 reported within the Nonmajor Governmental Funds (Recreation Endowment and Library Endowment Funds, respectively) as of December 31, 2021. Financial Commissions for each fund are authorized to supervise the endowment investments and recommend to the Borough Council for authorization and spending of earnings in relation to the respective endowment purposes. Endowment funds in the library endowment fund are limited to a Community Foundation investment fund.

The Borough does not have a formal policy related to spending rate or total return in relation to the respective endowment funds but follows the provisions of the Pennsylvania Uniform Trust Act (20 PA C.S.), which defines prudent investor requirements (appropriate degree of care and “special skills” as an investor) and overall investment strategy reasonably suited to the endowments.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 DONOR-RESTRICTED ENDOWMENTS AND RELATED ARRANGEMENTS  
(CONTINUED)**

**A. Primary Government (Continued)**

Net appreciation on the donor-restricted endowments that was available for authorization for expenditure by the Borough as of December 31, 2021, was \$2,653 and \$5,881 reported within the Nonmajor Governmental Funds (Recreation Endowment and Library Endowment Funds, respectively) as cash and cash equivalents.

In addition, the Borough recognized a beneficial interest in assets held by others and a corresponding deferred inflow of resources relating to two qualifying irrevocable split-interest trust agreements meeting the Statement No. 81 criteria with a fair value as of December 31, 2021, of \$94,814. The Borough's Guthrie Memorial Library also is a named beneficiary for several other revocable and perpetual, irrevocable trusts not meeting the recognition criteria in GASB Statement No. 81, and thus not recognized in the financial statements that generate annual support for the library's operations, some of which are restricted in nature.

**B. HPLA**

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Fund Act (UPMIFA) as of March 31, 2021. Pennsylvania's Act 141 allows nonprofits the option to elect a spending fund withdrawal rate based on a total return policy of 2% to 7% of the average fair value of the endowment assets over a period of three or more years of the actual investment income of the fund. The Association has elected to use a three- year average for the mean fair value of the fund and will assess the spending rate annually within the allowed Act 141 range.

**NOTE 4 FAIR VALUE**

**A. Primary Government**

The categorization of investments and beneficial interest in assets held by others within the fair value hierarchy are based upon the pricing transparency of the instruments and should not be perceived as the particular asset's risk. The hierarchy is based on the valuation inputs used to measure the fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs or quoted prices in markets that are not active; and Level 3 inputs are significant unobservable inputs.



**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 4 FAIR VALUE (CONTINUED)**

**A. Primary Government (Continued)**

The Borough's fair value hierarchy of investments \$68,243,158 by type, valued based on recurring measurements using matrix pricing, as of December 31, 2021, was as follows:

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ 94,814	\$ -	\$ 94,814	\$ -

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Debt Securities:				
Corporate Bonds	\$ 2,581,248	\$ -	\$ 2,581,248	\$ -
Fixed Income Mutual Funds	638,812	638,812	-	-
U.S. Agencies - Pools	1,465,545	-	1,465,545	-
U.S. Treasury Obligations	2,704,140	-	2,704,140	-
Total Debt Securities	7,389,745	638,812	6,750,933	-
Equity Securities	43,095,680	43,095,680	-	-
Total	\$ 50,485,425	\$ 43,734,492	\$ 6,750,933	\$ -

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, as of December 31, 2021, was as follows:

Investments Measured at the Net Asset Value (NAV)	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled Equity Mutual Funds	\$ 14,103,692	Daily	Trade Date, Plus One to Two Days
Commingled Fixed Income Mutual Funds	3,654,041	Daily	Trade Date, Plus One Day
Total Investments Measured at the NAV	\$ 17,757,733		

Thirty-four (34) fixed income mutual funds and eight equity mutual funds are considered to be commingled in nature and include hedge funds. The fair value of the underlying investments is used to determine NAV per share (or its equivalent) for these investments.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 FAIR VALUE (CONTINUED)**

**B. HPLA**

ASC 820, Fair Value Measurements, provides a framework for measuring fair value that is similar to GASB standards summarized in Note 1.

The estimated fair values of HPLA's investments as of March 31, 2021, are as follows:

Type	Level 1	Total
Cash and Cash Equivalents	\$ 58,205	\$ 58,205
Equities	2,528,669	2,528,669
Fixed Income Securities	1,111,154	1,111,154
Total	<u>\$ 3,698,028</u>	<u>\$ 3,698,028</u>

**NOTE 5 PROPERTY AND OTHER TAXES AND TAX ABATEMENTS**

The Borough's ad valorem property tax is levied each year on the assessed value listed as of the prior year for all real property located in the Borough. The assessed value of the duplicate tax roll for which the 2021 tax levy was based was \$1,001,551,796. The property tax rate for 2021, was 5.65 mills.

From the effective date of the budget, the amount stated thereon as the amount to be raised by the property tax shall constitute a determination of the amount of the tax levy in the corresponding tax year. Taxpayers receive a 2% discount if paid by the 15th day of April. For the year ended December 31, 2021, \$100,761 in discounts were netted with tax revenues reported. Taxes shall be due and payable on the 15th day of June in the year for which they are levied.

Taxes are recorded in the funds as revenue by the Borough when received from the tax collectors, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31, 2021, in accordance with the modified accrual basis of accounting. Taxes are shown net of an allowance for uncollectible accounts, calculated based on the age of receivables for Per Capita Taxes.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 5 PROPERTY AND OTHER TAXES AND TAX ABATEMENTS (CONTINUED)**

Taxes receivable and deferred tax revenue, recognized as deferred amounts from tax revenues, as of December 31, 2021, and related tax revenues for the year then ended for the general fund, net of relating allowance for uncollectible accounts, were as follows:

	Taxes Receivable, Net	Deferred Tax Revenue	Tax Revenues
Property Taxes	\$ 298,967	\$ 146,779	\$ 6,259,709
Income Taxes	353,090	-	2,006,149
Business Privilege Taxes	1,210	-	498,412
Local Services Taxes	514	-	512,040
Per Capita Taxes	48,431	46,151	34,979
Subtotal	<u>702,212</u>	<u>192,930</u>	<u>9,311,289</u>
Less: Allowance for Uncollectible Taxes	-	-	-
Total Taxes, Net	<u>\$ 702,212</u>	<u>\$ 192,930</u>	<u>\$ 9,311,289</u>

The Borough provides a single tax abatement program to promote improvements to certain industrial, commercial, and other business properties within designated jurisdictions of the Borough under the Pennsylvania Local Economic Revitalization Tax Assistance Act (LERTA), Act No 76 of 1977. Abatements are obtained through application by the property owner for property taxes related to improvements to deteriorated properties on a declining basis from 100% to 0% over a 10-year period, based on increased assessed value as a result of permitted improvements to the qualifying property. Revocation provisions exist with failure to satisfy any fees and costs as due to the Borough.

For the year ended December 31, 2021, several LERTA applications have been filed, but no abatements have yet occurred, pending completion and assessment of improvements.

**NOTE 6 DUE FROM OTHER GOVERNMENTS**

In 1982, the Borough entered into an agreement with two local municipalities to jointly share the costs of constructing a regional wastewater treatment plant and related infrastructure. Under the agreement, the Borough operates the facilities, and charges the local municipalities quarterly service charges through the Regional Wastewater Fund for their allocated share of costs based on flow usage for the entire system. Any charges received in excess of costs or deficit amounts are accounted for in subsequent budgets as an adjustment to the quarterly service charges to the participating municipalities, \$541,370 of which was recognized as unearned revenue as of December 31, 2021, and \$97,176 of which was due to other governments. The contract also stipulates that the municipalities will share in the costs of facilities additions and upgrades as required by other authorized agencies.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 DUE FROM OTHER GOVERNMENTS (CONTINUED)**

In addition, the Borough has a flow exchange agreement with another municipality from 1983 for sewer treatment services charged through the Sanitary Sewer Fund, and \$491,169 was due and payable from the municipality for flow exchange services through December 31, 2021.

Finally, the Borough has intergovernmental agreements for equally sharing employee costs of a joint Fire Chief and Executive Secretary that support both municipalities as part of the Commission, and \$129,866 was due and payable from the municipality for said shared costs through December 31, 2021.

**NOTE 7 CAPITAL ASSETS**

A summary of governmental activities follows:

	Balance 1/1/21, as restated	Increases	Decreases	Balance 12/31/21
<b>Capital Assets:</b>				
<b>Nondepreciable Assets:</b>				
Land and Land Rights	\$ 629,136	\$ -	\$ -	\$ 629,136
Construction in Progress	46,310	78,843	23,882	101,271
Total Nondepreciable Assets	<u>675,446</u>	<u>78,843</u>	<u>23,882</u>	<u>730,407</u>
<b>Depreciable Assets:</b>				
Improvements Other than Buildings	408,335	-	-	408,335
Machinery and Equipment	8,067,340	415,657	-	8,482,997
Other Buildings and Improvements	12,843,997	2,657	-	12,846,654
Plant and Infrastructure	14,095,455	63,584	-	14,159,039
Total Depreciable Assets	<u>35,415,127</u>	<u>481,898</u>	<u>-</u>	<u>35,897,025</u>
Total Capital Assets	36,090,573	560,741	23,882	36,627,432
<b>Accumulated Depreciation:</b>				
Improvements Other than Buildings	242,257	13,207	-	255,464
Machinery and Equipment	5,904,473	706,214	-	6,610,687
Other Buildings and Improvements	4,794,433	277,903	-	5,072,336
Plant and Infrastructure	9,759,597	368,096	-	10,127,693
Total Accumulated Depreciation	<u>20,700,760</u>	<u>1,365,420</u>	<u>-</u>	<u>22,066,180</u>
Total Capital Assets, Net	<u>\$ 15,389,813</u>	<u>\$ (804,679)</u>	<u>\$ 23,882</u>	<u>\$ 14,561,252</u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

Accumulated costs attributed to projects included in construction in progress as of December 31, 2021, were as follows:

Transfer Station Improvements and Enhancements	\$ 31,624
Library Roof	19,527
Parks and Playground Equipment and Facilities Upgrades	<u>50,120</u>
Total	<u><u>\$ 101,271</u></u>

Depreciation expense, including amortization expense on assets under capital lease, was charged to governmental functions for the year ended December 31, 2021:

General Government	\$ 20,631
Public Safety	190,414
Health and Sanitation	283,850
Highways	571,057
Culture and Recreation	299,468
Total	<u><u>\$ 1,365,420</u></u>

A summary of business-type activities follows:

	Balance 12/31/20	Increases	Decreases	Transfers	Balance 12/31/21
Capital Assets:					
Nondepreciable Assets:					
Land and Land Rights	\$ 1,027,255	\$ -	\$ -	\$ -	\$ 1,027,255
Construction in Progress	4,258,264	1,411,650	1,789,405	-	3,880,509
Total Nondepreciable Assets	<u>5,285,519</u>	<u>1,411,650</u>	<u>1,789,405</u>	<u>-</u>	<u>4,907,764</u>
Depreciable Assets:					
Improvements Other than Buildings	62,168	-	-	-	62,168
Machinery and Equipment	5,365,839	336,511	112,658	(12,358)	5,577,334
Other Buildings and Improvements	1,015,352	96,271	-	-	1,111,623
Plant and Infrastructure	115,581,801	3,778,814	87,667	12,358	119,285,306
Total Depreciable Assets	<u>122,025,160</u>	<u>4,211,596</u>	<u>200,325</u>	<u>-</u>	<u>126,036,431</u>
Total Capital Assets	127,310,679	5,623,246	1,989,730	-	130,944,195
Accumulated Depreciation:					
Improvements Other than Buildings	54,514	537	-	-	55,051
Machinery and Equipment	3,125,804	398,883	109,574	-	3,415,113
Other Buildings and Improvements	373,608	36,968	-	-	410,576
Plant and Infrastructure	42,283,705	2,466,598	69,838	-	44,680,465
Total Accumulated Depreciation	<u>45,837,631</u>	<u>2,902,986</u>	<u>179,412</u>	<u>-</u>	<u>48,561,205</u>
Total Capital Assets, Net	<u><u>\$ 81,473,048</u></u>	<u><u>\$ 2,720,260</u></u>	<u><u>\$ 1,810,318</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 82,382,990</u></u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 7 CAPITAL ASSETS (CONTINUED)**

Accumulated costs attributed to projects included in construction in progress as of December 31, 2021, were as follows:

Water Fund:	
Sheppard & Myers Dam Rehabilitation	\$ 1,698,582
Kitzmilller Dam Improvement	3,416
Water Mains and Water Laterals	1,796,121
Total	<u>\$ 3,498,119</u>
Regional Wastewater Fund:	
Primary Sludge Pump	<u>\$ 7,254</u>
Sanitary Sewer Fund:	
Sanitary Sewer System Improvements	<u>\$ 329,137</u>
Stormwater Authority Fund:	
Stormwater System Improvements	<u>\$ 45,999</u>

Depreciation expense, including amortization expense on assets under capital lease, was charged to business-type functions as follows for the year ended December 31, 2021:

Water Fund	\$ 1,150,876
Regional Wastewater Fund	1,421,292
Sanitary Sewer Fund	312,221
Stormwater Authority Fund	8,023
Nonmajor Proprietary Fund	10,574
Total	<u>\$ 2,902,986</u>

**NOTE 8 CAPITAL LEASES**

The Borough is party to several lease agreements for vehicles and equipment as of December 31, 2021. The leases bear stated or implicit interest rates ranging from 1.91% to 8.80%, and each lease is secured by the capital asset under the respective lease. Vehicles and equipment under capital lease included in capital assets as of December 31, 2021, were as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment	\$ 2,925,430	\$ 777,892
Less: Accumulated Depreciation	1,798,744	375,051
Total	<u>\$ 1,126,686</u>	<u>\$ 402,841</u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 8 CAPITAL LEASES (CONTINUED)**

As of December 31, 2021, future minimum payments required under the leases and the present values of minimum capital lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 443,218	\$ 137,330
2023	328,686	83,196
2024	259,599	48,379
2025	49,390	-
Total Minimum Lease Payments	<u>1,080,893</u>	<u>268,905</u>
Less: Amount Representing Interest	<u>46,000</u>	<u>13,052</u>
Present Values of Minimum Lease Payments Due Under Capital Leases	<u>1,034,893</u>	<u>255,853</u>
Included in General Long-Term Debt	1,034,893	255,853
Less: Current Portion	<u>418,016</u>	<u>128,539</u>
Total Long-Term Portion	<u><u>\$ 616,877</u></u>	<u><u>\$ 127,314</u></u>

The payments above include a noncancelable subleased fire vehicle with the Commission, and a noncancelable subleased street sweeper between the sanitary sewer fund (lessor) and the stormwater authority (lessee) with future minimum rentals to be received under the sublease and present values of minimum capital lease rentals as of December 31, 2021, as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 132,999	\$ 48,378
2023	132,998	48,379
2024	132,998	48,379
2025	-	-
Total Minimum Lease Rentals	<u>398,995</u>	<u>145,136</u>
Less: Amount Representing Interest	<u>20,433</u>	<u>6,295</u>
Present Values of Minimum Lease Rentals Due Under Capital Leases	<u>378,562</u>	<u>138,841</u>
Included in General Long-Term Debt	378,562	138,841
Less: Current Portion	<u>122,871</u>	<u>45,254</u>
Total Long-Term Portion	<u><u>\$ 255,691</u></u>	<u><u>\$ 93,587</u></u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 LONG-TERM DEBT**

Amounts outstanding under bonds payable as of December 31, 2021, consisted of the following:

<u>Description</u>	<u>Amount</u>
<p>\$9,770,000 2012 Series - \$9,520,000 Serial and \$250,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$545,000 to \$1,195,000 through October 1, 2022, with remaining interest rates of 2%; bonds are secured by the credit and taxing power of the Borough.</p>	<p>\$ 545,000</p>
<p>\$10,000,000 2013 Series, partially refunded in 2017 - original issue of \$3,170,000 Serial and \$6,830,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$110,000 to \$125,000 through October 1, 2022, with remaining interest rates ranging from 2.125% to 2.375%; all term bonds were refunded; bonds are secured by the credit and taxing power of the Borough.</p>	<p>110,000</p>
<p>\$3,790,000 2015 A Series - Serial Bonds; due in remaining annual principal installments ranging from \$475,000 to \$505,000 through October 1, 2024, with remaining interest rates of 2%; bonds are secured by the credit and taxing power of the Borough.</p>	<p>1,490,000</p>
<p>\$4,750,000 2016 Series - \$3,445,000 Serial and \$1,305,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$110,000 to \$125,000 through October 1, 2024, with remaining interest rates ranging from 2% to 3.5%; term bonds divided into two lots with \$645,000 paying 2% due October 1, 2025 and \$660,000 paying 2% due October 1, 2026; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p>1,665,000</p>



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>Amount</u>
<p>\$9,580,000 2017 Series - \$2,955,000 Serial and \$6,625,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$45,000 to \$750,000 through October 1, 2038, with remaining interest rates ranging from 2% to 3.25%; term bonds divided into two lots with \$1,180,000 paying 3% due October 1, 2031 and \$5,445,000 paying 3.15% due October 1, 2037; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p>\$ 9,400,000</p>
<p>\$8,495,000 2020 Series - \$3,730,000 Serial and \$4,765,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$325,000 to \$420,000 through October 1, 2029, with remaining interest rates ranging from 2% to 4%; term bonds divided into three lots with \$2,240,000 paying 2.5% due October 1, 2034, \$970,000 paying 2.5% due October 1, 2036, and \$1,555,000 paying 2.625% due October 1, 2039; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p>7,820,000</p>
<p>\$9,445,000 2020 A Series - Serial Bonds; due in remaining annual principal installments ranging from \$10,000 to \$1,970,000 through October 1, 2032, with remaining interest rates ranging from 2% to 4%; bonds are secured by the credit and taxing power of the Borough.</p>	<p>9,055,000</p>
<p>\$4,475,000 2020 B Series - \$3,815,000 Serial and \$660,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$1,215,000 to \$1,310,000 through October 1, 2025, with remaining interest rates of 4%; single term bonds lot with \$660,000 paying 4% due October 1, 2022; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p>4,450,000</p>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>Amount</u>
<p>\$5,480,000 2020 C Series - \$2,175,000 Serial and \$3,305,000 Term Bonds; serial bonds due in remaining annual principal installments of \$1,780,000 paying 2% interest due October 1, 2027; term bonds divided into three lots with \$40,000 paying 2% due October 1, 2023, \$1,850,000 paying 2% due October 1, 2026, and \$1,415,000 paying 2% due October 1, 2029; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p>\$ 5,080,000</p>
<p>\$9,440,000 2020 D Series - \$3,970,000 Serial and \$5,470,000 Term Bonds; serial bonds due in remaining annual principal installments ranging from \$245,000 to \$490,000 through October 1, 2040, with remaining interest rates from 3% to 4%; term bonds divided into five lots with \$705,000 paying 4% due October 1, 2032, \$1,155,000 paying 4% due October 1, 2035, \$855,000 paying 4% due October 1, 2037, \$1,040,000 paying 4% due October 1, 2042, and \$1,715,000 paying 4% due October 1, 2045; all term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates; bonds are secured by the credit and taxing power of the Borough.</p>	<p><u>9,440,000</u></p>
<p style="padding-left: 40px;">Total Bonds Payable</p>	<p><u><u>\$ 49,055,000</u></u></p>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Interest and related costs incurred for governmental and business-type activities for the year ended December 31, 2021, were \$117,694 and \$1,432,976, of which all were expensed.

The following is a summary of changes in long-term debt for the year ended December 31, 2021:

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
2015 A Serial and Term Bonds	\$ 1,965,000	\$ -	\$ 475,000	\$ 1,490,000	\$ 490,000
2016 Serial and Term Bonds	1,775,000	-	110,000	1,665,000	115,000
2017 Serial and Term Bonds	486,000	-	8,000	478,000	8,000
2020 A Serial Bonds	190,000	-	40,000	150,000	35,000
2020 C Serial and Term Bonds	45,000	-	-	45,000	-
Subtotal	4,461,000	-	633,000	3,828,000	648,000
Bond Discounts and Premiums	62,149	-	13,944	48,205	13,944
Total Bonds Payable, Net	4,523,149	-	646,944	3,876,205	661,944
Accrued Compensated Absences	1,726,655	66,173	-	1,792,828	51,000
Capital Lease Obligations	1,263,674	239,968	468,749	1,034,893	418,016
Total Governmental Activities Debt	<u>\$ 7,513,478</u>	<u>\$ 306,141</u>	<u>\$ 1,115,693</u>	<u>\$ 6,703,926</u>	<u>\$ 1,130,960</u>

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Due Within One Year
<b>Business-Type Activities:</b>					
Bonds Payable:					
2012 Serial and Term Bonds	\$ 1,740,000	\$ -	\$ 1,195,000	\$ 545,000	\$ 545,000
2013 Serial and Term Bonds	235,000	-	125,000	110,000	110,000
2017 Serial and Term Bonds	8,959,000	-	37,000	8,922,000	52,000
2020 Serial and Term Bonds	8,145,000	-	325,000	7,820,000	340,000
2020 A Serial and Term Bonds	9,210,000	-	305,000	8,905,000	300,000
2020 B Serial and Term Bonds	4,455,000	-	5,000	4,450,000	655,000
2020 C Serial and Term Bonds	5,040,000	-	5,000	5,035,000	10,000
2020 D Serial and Term Bonds	9,440,000	-	-	9,440,000	245,000
Subtotal	47,224,000	-	1,997,000	45,227,000	2,257,000
Bond Discounts and Premiums	2,511,262	-	207,159	2,304,103	207,159
Total Bonds Payable, Net	49,735,262	-	2,204,159	47,531,103	2,464,159
Accrued Compensated Absences	1,177,321	-	91,042	1,086,279	7,966
Capital Lease Obligations	418,596	-	162,743	255,853	128,539
Consumer Deposits	463,167	-	117,302	345,865	117,302
Total Business-Type Activities Debt	<u>\$ 51,794,346</u>	<u>\$ -</u>	<u>\$ 2,575,246</u>	<u>\$ 49,219,100</u>	<u>\$ 2,717,966</u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Other long-term liabilities in governmental activities are liquidated from general revenues in the general fund. Accrued compensated absences and capital lease obligations in business-type activities are liquidated from general revenues in the respective water, regional wastewater, sanitary sewer, stormwater authority, and nonmajor proprietary fund. Consumer deposits are liquidated from general revenues in the water fund.

The principal and interest requirements to maturity of the bonds payable debt of all funds are as follows for the years ending December 31:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 648,000	\$ 80,352	\$ 2,257,000	\$ 1,421,892
2023	663,000	67,044	2,312,000	1,350,990
2024	678,000	53,382	2,407,000	1,265,398
2025	688,000	39,024	2,497,000	1,172,960
2026	713,000	24,562	2,612,000	1,077,018
2027-2031	438,000	10,294	14,187,000	4,380,934
2032-2036	-	-	11,320,000	2,307,453
2037-2041	-	-	5,390,000	893,237
2042-2046	-	-	2,245,000	228,800
Total	<u>\$ 3,828,000</u>	<u>\$ 274,658</u>	<u>\$ 45,227,000</u>	<u>\$ 14,098,682</u>

**NOTE 10 INTERFUND ACTIVITY**

Interfund balances between funds as of December 31, 2021, on the fund financial statements were as follows:

Due from	General Fund	Sanitary Sewer Fund	Water Fund	Total
Water Fund	\$ 200,574	\$ 579	\$ -	\$ 201,153
Regional Wastewater Fund	65,704	-	67,658	133,362
Sanitary Sewer Fund	42,296	-	13,379	55,675
Stormwater Authority	34,898	-	-	34,898
Total	<u>\$ 343,472</u>	<u>\$ 579</u>	<u>\$ 81,037</u>	<u>\$ 425,088</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid with the following year.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 10 INTERFUND ACTIVITY (CONTINUED)**

Interfund transfers for the year ended December 31, 2021, on the fund financial statements were as follows:

Transfers to	Sanitary Sewer Fund	Total
Regional Wastewater Fund	\$ 1,220,000	\$ 1,220,000
Total	\$ 1,220,000	\$ 1,220,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) transfer capital assets from the fund that paid for the assets to the fund that will utilize them within proprietary funds.

Significant interfund transfers for the year ended December 31, 2021, include the following: The sanitary sewer fund transferred \$1,220,000 to the regional wastewater fund to be used for debt service and reclassification of interfund debt, net of reimbursements of capital costs received from other municipalities for the shared regional wastewater treatment improvements disclosed above.

**NOTE 11 COMMUNICATION TOWER LEASE AGREEMENTS**

The Borough has entered into communication tower lease agreements, which are expected to provide the following minimum annual rental income for the years ending December 31:

Year Ending December 31,	Water Fund
2022	\$ 57,324
2023	53,178
2024	39,552
2025	20,096
Total	\$ 170,150

All lease agreements have various consecutive renewal options at the lessee's discretion.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS**

The Borough offers three single-employer, defined benefit pension plans: Police Pension Plan, Fire Drivers' Pension Plan, and Hanover Employees' Pension Plan. The plans do not issue stand-alone financial reports.

**A. Plan Descriptions and Funding Policies**

**1. Police Pension Plan**

Plan Administration

The Plan is a single-employer, defined benefit plan that covers all full-time members of the police force upon employment. The Plan is established and administered by the Borough through a trust agent (local bank), and management of the Plan is administered by the 10 elected members of the Borough Council and the Police Pension Fund Committee, consisting of three voting members appointed by the Borough Council.

Benefits Provided

The Plan provides monthly retirement benefits as well as death and disability benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service; however, if the member continues working after their normal retirement date, their pension does not start until they actually retire. The normal retirement pension, payable monthly for the member's lifetime and continuing to the member's surviving spouse or eligible child for their respective lifetime, is equal to 50% of average monthly compensation (based on the last 36 months of employment preceding retirement), plus a service increment of \$100 per month for each completed year of benefit service in excess of 25 years. Disability benefits are available to a participant disabled in the line of duty. If a participant is eligible for retirement at the time of death, a monthly death benefit is payable.

Employees retiring after January 1, 1980, are entitled to an annual cost-of-living increase equal to 6% per year or the actual cost-of-living increase based on the Consumer Price Index, whichever is smaller. A member's benefits vest upon completion of 12 years of vesting service. The vested benefit is deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Contributions

Plan members, pursuant to Borough Ordinance and plan agreement, are required to contribute 3% of their compensation per year. Member contributions are credited with interest at the rate of 3% per year. The Commonwealth is required, by Act 205 (Municipal Pension Plan Funding Standard and Recovery Act), to contribute at an actuarially determined rate.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Descriptions and Funding Policies**

**1. Police Pension Plan (Continued)**

The Borough is responsible for contributing funds after accounting for the Commonwealth contribution in order to meet the minimum municipal obligation for each year as required by Act 205. The contribution requirements of the plan members and the Commonwealth may be amended by the Borough and Commonwealth legislature, respectively. Administrative costs of the Police Pension Plan are financed through investment earnings.

**2. Fire Drivers' Pension Plan**

Plan Administration

The Plan is a single-employer defined benefit plan that covers all full-time fire drivers on July 1, following the date of employment. The Plan is established and administered by the Borough through a trust agent (local bank), and management of the Plan is administered by the ten elected members of the Borough Council.

Benefits Provided

The Plan provides monthly retirement benefits as well as death and disability benefits. The normal retirement date is the first day of the month following attainment of age 55 with completion of 25 years of vesting service, but not later than attainment of age 62 and completion of 10 years of vesting service, if earlier. The normal retirement pension, payable monthly for life with payments ceasing upon death, is equal to 1.9% of average monthly compensation (highest consecutive 60 months of compensation out of the last 120 months preceding retirement) multiplied by the total number of complete years of benefit service.

Disability benefits are available to a participant who becomes totally and permanently disabled. The death benefit for a participant who has attained age 50 and has completed 10 years of vesting service is a survivor pension. A monthly death benefit, payable to a surviving spouse, is also available if the participant is killed in the line of duty. A member's benefits vest upon completion of 10 years of vesting service. The vested benefit is a deferred monthly pension beginning at the normal retirement date equal to the benefit accrued to the date of termination.

Contributions

Plan members, pursuant to Borough Ordinance and plan agreement, are required to contribute 3.7% of their annual covered salary up to attainment of age 62 and completion of 10 years of vesting service. Member contributions are credited with interest at the rate of 4% per year. The Commonwealth is required, by Act 205 (Municipal Pension Plan Funding Standard and Recovery Act), to contribute at an actuarially determined rate.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Descriptions and Funding Policies**

**2. Fire Drivers' Pension Plan (Continued)**

The Borough is responsible for contributing funds after accounting for the Commonwealth contribution in order to meet the minimum municipal obligation for each year as required by Act 205. The contribution requirements of the plan members and the Commonwealth may be amended by the Borough and Commonwealth legislature, respectively. Administrative costs of the Fire Drivers' Pension Plan are financed through investment earnings.

**3. Hanover Employees' Pension Plan**

Plan Administration

The Plan is a single-employer, defined benefit pension plan that covers all full-time employees of the Borough, excluding uniformed police officers and fire drivers, on July 1, following the date of employment. The Plan is established and administered by the Borough through a trust agent (local bank), and management of the Plan is administered by the ten elected members of the Borough Council.

Benefits Provided

The Plan provides monthly retirement benefits as well as death and disability benefits. The normal retirement date is the first day of the month following attainment of age 55 (60 for nonunion hires after July 1, 2014) and completion of 25 years of vesting service, but not later than attainment of age 62 (65 for nonunion hires after July 1, 2014) and completion of 10 years of vesting service, if earlier. The normal retirement pension, payable monthly for life with payments ceasing upon death, is equal to 1.5% (1% for nonunion hires after July 1, 2014) of average monthly compensation (highest consecutive 36 months of compensation out of the last 60 months preceding retirement) multiplied by the total number of years of benefit service rounded to the nearest one-half year. The minimum monthly pension for employees with 30 or more years of vesting service is equal to 70% of average monthly compensation, less 100% of social security benefits received.

Disability benefits are available after attainment of age 45 and completion of 15 years of vesting service, following six months of permanent disability. The monthly death benefit for a participant who has attained 60 years (sum of member's age and years of vesting service) and has completed 10 years of vesting service is a survivor pension. A member's benefits vest upon completion of 10 years of vesting service. The vested benefit is a deferred monthly pension beginning at the normal retirement date equal to the benefit accrued to the date of termination.



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Descriptions and Funding Policies**

**3. Hanover Employees' Pension Plan (Continued)**

Contributions

Plan members, pursuant to Borough Ordinance and plan agreement, are required to contribute 3% of their annual covered salary up to attainment of age 62 and completion of 10 years of vesting service. Member contributions are credited with interest at the rate of 4% per year. The Commonwealth is required, by Act 205 (Municipal Pension Plan Funding Standard and Recovery Act), to contribute at an actuarially determined rate. The Borough is responsible for contributing funds after accounting for the Commonwealth contribution in order to meet the minimum municipal obligation for each year as required by Act 205. The contribution requirements of the plan members and the Commonwealth may be amended by the Borough and Commonwealth legislature, respectively. Administrative costs of the Hanover Employees' Pension Plan are financed through investment earnings.

**B. Plan Membership**

Membership of the Plans consisted of the following as of December 31, 2021:

	Pension Plans		
	Police	Fire Drivers'	Hanover Employees'
Inactive Plan Members or Beneficiaries			
Currently Receiving Benefits	22	14	76
Inactive Plan Members Entitled to But			
Not Yet Receiving Benefits	-	-	1
Active Plan Members	23	16	93
Total	45	30	170

**C. Investment Policies, Concentrations, and Rates of Return**

Disclosures regarding investment policies and concentrations of the Plans' investments are in Note 2 to the financial statements. The annual money-weighted rates of return on Plans' investments, net of Plans' investment expenses, were as follows for the year ended December 31, 2021: 19.53% for the Police, 21.13% for the Fire Drivers', and 21.19% for the Hanover Employees' Pension Funds' Plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Net Pension Liability (Asset)**

The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2021. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-end.

**Actuarial Assumptions.** The total pension liability as determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

	Pension Plans		
	Police	Fire Drivers'	Hanover Employees'
Actuarial Assumptions:			
Inflation Assumption	Moderate	Moderate	Moderate
Cost-of-Living Adjustments	3%	None	None
Projected Salary Increases	5%	5%	5%
Investment Rate of Return	7%, Net of Pension Plan Investment Expense, Including Inflation	7%, Net of Pension Plan Investment Expense, Including Inflation	7%, Net of Pension Plan Investment Expense, Including Inflation
Disability Rates	SOA 1987 Group LTD Tables - Males, Six-Month Elimination	SOA 1987 Group LTD Tables - Males, Six-Month Elimination	SOA 1987 Group LTD Tables - Males, Six-Month Elimination

Mortality rates were based on the PubS-2010 (Police and Fire Drivers') and PubG-2010 (Hanover Employees') mortality tables, projected generationally using Scale MP-2020 to reflect mortality improvement.

The long-term expected rate of return on the 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 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 allocations and best estimates of arithmetic real rates of return for each major asset class of the pension plans are summarized in the following tables:

Asset Class	Target Allocations (as of December 31, 2021)		
	Police	Fire Drivers'	Hanover Employees'
Corporate Bonds	0%	0%	7%
Equity Securities and Equity Mutual Funds	70%	65%	65%
Fixed Income Mutual Funds	30%	32%	10%
Money Markets	0%	3%	3%
U.S. Treasuries and Agencies - Bond and Pools	0%	0%	15%

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Net Pension Liability (Asset) (Continued)**

Asset Class	Long-Term Expected Real Rates of Return (as of December 31, 2021)		
	Police	Fire Drivers'	Hanover Employees'
Corporate Bonds	N/A	N/A	3% - 5%
Equity Securities and Equity Mutual Funds	5% - 7%	5% - 7%	5% - 7%
Fixed Income Mutual Funds	1% - 3%	1% - 3%	1% - 3%
Money Markets	N/A	0% - 1%	0% - 1%
U.S. Treasuries and Agencies - Bond and Pools	N/A	N/A	1% - 3%

**Discount Rate.** The discount rate used to measure the total pension liability for all Plans was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current respective contribution rates and that Borough contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plans' fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Police		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances - December 31, 2020	\$ 15,177,326	\$ 15,762,880	\$ (585,554)
Changes for the Year:			
Service Cost	397,498	-	397,498
Interest Cost	1,073,011	-	1,073,011
Changes for Experience	116,418	-	116,418
Employer Contributions	-	688,770	(688,770)
Plan Member Contributions	-	67,302	(67,302)
Net Investment Income	-	2,075,006	(2,075,006)
Benefit Payments (estimated)	(725,016)	(725,016)	-
Administrative Expense	-	(7,000)	7,000
Net Changes	861,911	2,099,062	(1,237,151)
Balances - December 31, 2021	\$ 16,039,237	\$ 17,861,942	\$ (1,822,705)

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Net Pension Liability (Asset) (Continued)**

**Changes in the Net Pension Liability (Asset) (Continued)**

	Fire Drivers'		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances - December 31, 2020	\$ 8,131,240	\$ 8,134,417	\$ (3,177)
Changes for the Year:			
Service Cost	147,733	-	147,733
Interest Cost	565,777	-	565,777
Changes in Experience	13,048	-	13,048
Employer Contributions	-	314,968	(314,968)
Plan Member Contributions (estimated)	-	51,105	(51,105)
Net Investment Income	-	955,426	(955,426)
Benefit Payments	(418,971)	(418,971)	-
Administrative Expense	-	(5,900)	5,900
Net Changes	<u>307,587</u>	<u>896,628</u>	<u>(589,041)</u>
Balances - December 31, 2021	<u>\$ 8,438,827</u>	<u>\$ 9,031,045</u>	<u>\$ (592,218)</u>

	Hanover Employees'		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances - December 31, 2020	\$ 34,198,913	\$ 39,893,209	\$ (5,694,296)
Changes for the Year:			
Service Cost	398,990	-	398,990
Interest Cost	2,330,801	-	2,330,801
Changes in Experience	(517,629)	-	(517,629)
Employer Contributions	-	482,575	(482,575)
Plan Member Contributions (estimated)	-	161,702	(161,702)
Net Investment Income	-	4,688,444	(4,688,444)
Benefit Payments	(1,566,227)	(1,566,227)	-
Administrative Expense	-	(15,200)	15,200
Net Changes	<u>645,935</u>	<u>3,751,294</u>	<u>(3,105,359)</u>
Balances - December 31, 2021	<u>\$ 34,844,848</u>	<u>\$ 43,644,503</u>	<u>\$ (8,799,655)</u>

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.**

The following presents the net pension liability (asset) of the Borough, calculated using the discount rate of 7%, as well as what the Borough's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6%) or one-percentage-point higher (8%) than the current rate:

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Net Pension Liability (Asset) (Continued)**

**Changes in the Net Pension Liability (Asset) (Continued)**

Borough's Net Pension Liability (Asset)	Pension Plans - Long-Term Expected Real Rates of Return		
	Police	Fire Drivers'	Hanover Employees'
1% Decrease (6%)	\$ 387,252	\$ 341,829	\$ (5,179,577)
Current Discount Rate (7%)	(1,822,705)	(592,218)	(8,799,655)
1% Increase (8%)	(3,638,685)	(1,380,259)	(11,852,280)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended December 31, 2021, the Borough recognized pension expense totaling \$(2,015,950), comprised of \$(162,385), \$(127,419), and \$(1,726,146) from the Police, Fire Drivers', and Hanover Employees' pension plans, respectively.

As of December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions:		
Police	\$ 378,582	\$ 40,069
Fire Drivers'	240,360	-
Hanover Employees'	659,782	-
Total	<u>1,278,724</u>	<u>40,069</u>
Differences Between Expected and Actual Experience:		
Police	99,787	474,706
Fire Drivers'	34,788	14,033
Hanover Employees'	-	1,263,286
Total	<u>134,575</u>	<u>1,752,025</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments:		
Police	-	1,461,654
Fire Drivers'	-	763,248
Hanover Employees'	-	3,799,055
Total	<u>-</u>	<u>6,023,957</u>
Total	<u>\$ 1,413,299</u>	<u>\$ 7,816,051</u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Net Pension Liability (Asset) (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (1,381,722)
2023	(2,749,437)
2024	(1,471,619)
2025	(687,517)
2026	(55,142)
Thereafter	(57,315)
Total	<u>\$ (6,402,752)</u>

**E. Condensed Financial Statements**

The condensed financial statements as of and for the year ended December 31, 2021, is as follows:

**STATEMENT OF PLAN NET POSITION**

	Police Pension Fund	Fire Drivers' Pension Fund	Hanover Employees' Pension Fund	Total Pension Trust Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 504,290	\$ 406,480	\$ 1,682,869	\$ 2,593,639
Contributions and Pension Benefits Receivable	-	-	14,993	14,993
Accrued Interest Receivable	23,836	1,021	41,479	66,336
Investments	17,328,212	8,619,840	41,890,834	67,838,886
Total Assets	17,856,338	9,027,341	43,630,175	70,513,854
<b>NET POSITION</b>				
Restricted for Pension Benefits	17,856,338	9,027,341	43,630,175	70,513,854
Total Net Position	\$ 17,856,338	\$ 9,027,341	\$ 43,630,175	\$ 70,513,854

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Condensed Financial Statement (Continued)**

**STATEMENT OF CHANGES IN PLAN NET POSITION**

	Police Pension Fund	Fire Drivers' Pension Fund	Hanover Employees' Pension Fund	Total Pension Trust Funds
<b>ADDITIONS</b>				
Contributions	\$ 756,174	\$ 366,023	\$ 645,657	\$ 1,767,854
Net Investment Income	2,066,698	951,771	4,672,412	7,690,881
Total Additions	2,822,872	1,317,794	5,318,069	9,458,735
<b>DEDUCTIONS</b>				
Benefits	722,415	418,971	1,566,227	2,707,613
Administrative Expense	6,999	5,899	14,876	27,774
Total Deductions	729,414	424,870	1,581,103	2,735,387
<b>CHANGES IN NET POSITION</b>	2,093,458	892,924	3,736,966	6,723,348
Net Position - Beginning of Year	15,762,880	8,134,417	39,893,209	63,790,506
<b>NET POSITION - END OF YEAR</b>	<u>\$ 17,856,338</u>	<u>\$ 9,027,341</u>	<u>\$ 43,630,175</u>	<u>\$ 70,513,854</u>

**F. Aggregate Pension Disclosure**

	Police Pension Fund	Fire Drivers' Pension Fund	Hanover Employees' Pension Fund	Total Pension Trust Funds
Total Net Pension Liability (Asset)	\$ (1,822,705)	\$ (592,218)	\$ (8,799,655)	\$ (11,214,578)
Total Deferred Inflows of Resources from Pension	1,976,429	777,281	5,062,341	7,816,051
Total Deferred Outflows of Resources from Pension	478,369	275,148	659,782	1,413,299

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 13 DEFERRED COMPENSATION PLAN**

The Borough, in accordance with the Borough Council's approval, offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Plan is available to all Borough employees. The Plan had 40 active participants as of December 31, 2021.

The Plan permits employees to defer a portion of their salary until future years, which the employees are fully vested in upon contribution, with no forfeiture provision. The Borough does not contribute to the deferred compensation plan. Employees can defer the lesser of \$19,500, and up to an additional \$6,500 catch-up for employees age 50 or over, or 100% of their includable salaries over the plan year. Employee contributions made to the 457(b) Plan for the year ended December 31, 2021, were \$188,470.

All amounts of compensation deferred under the Plan and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The Plan Administrator, ICMA-RC, is the trustee of the investments.

**NOTE 14 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

The Borough offers a single-employer, defined benefit postemployment health insurance plan that provides OPEB for the police, fire drivers, and nonuniformed (Hanover) employees of the Borough. The Plan does not issue a stand-alone financial report.

**A. Plan Description and Funding Policies**

**1. Plan Administration**

The Plan is established and administered by the Borough through the Intergovernmental Insurance Cooperative (IIC) (a trust agent), and management of the Plan is administered by the 10 elected members of the Borough Council. This Plan does not include the pension benefits discussed in Note 12 above. The Plan is funded on a pay-as-you-go basis. There is no irrevocable trust established for the Plan that meets the criteria in GASB Statement No. 75, paragraph 4, and the Borough does not have accumulated assets for the future payment of OPEB benefit payments.

**2. Benefits Provided**

The postemployment health insurance plan provides medical and hospitalization, prescription drug, dental, vision, and life insurance benefits to eligible active plan members and retirees and their spouses and is authorized by the Borough. Benefit provisions are established and amended by the Borough Council. Retirement provisions for age and service for OPEB mirror those for pension discussed in Note 12 above. The Plan provides the following benefits based on employee group (collective bargaining agreements) upon retirement:



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)  
(CONTINUED)**

**A. Plan Description and Funding Policies (Continued)**

**2. Benefits Provided (Continued)**

Police

Health insurance coverage for five years subsequent to the retirement date of the Officer provided certification is received they are not eligible for any other employer-sponsored health insurance plan, including a Plan sponsored by the Officer's spouse. Spousal coverage for the five-year period is limited to 50% of the health insurance coverage cost provided they are not eligible for any other employer-sponsored health insurance plan. The maximum Borough cost for Officer and/or spouse health insurance coverage is limited to \$600 per month. Upon expiration of this paid coverage, the retiree and spouse shall be permitted to maintain health insurance coverage as a member of the Plan with the entire cost paid by the retiree.

Fire Drivers and Hanover Employees

Eligible retirees and spouses shall be permitted to maintain health insurance coverage as a member of the Plan with the entire cost paid by the retiree.

For all employee groups, upon attaining age 65, eligible retirees and their spouses are transitioned to a post-65 medical and prescription plan if they are eligible and wish to continue coverage. In addition, optional life insurance coverage is allowable in increments of \$2,500 (up to a maximum of \$7,500), elected by the retiree within 90 days of hire and continuing through retirement at the sole expense of the retiree at the group life insurance rate in effect under the group life insurance policy of the Borough. Separate Borough-paid life insurance benefits for eligible employees ceases at retirement.

**3. Contributions**

The Plan is unfunded, with premium payments made by the Borough, and any corresponding reimbursements from retirees and spouses, on a pay-as-you-go basis. For the year ended December 31, 2021, the Borough paid premium costs of \$280,790 for retirees and their spouses, of which \$261,044 was reimbursed by plan members in accordance with their respective collective bargaining agreements.

**4. Plan Membership**

Membership of the Plan consisted of the following categories as of January 1, 2021:

	OPEB Plan		
	Police	Fire Drivers'	Hanover Employees'
Retirees and Beneficiaries Receiving Benefits	7	6	33
Active Plan Members	24	12	93
Totals	31	18	126

**BOROUGH OF HANOVER, PA  
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**NOTE 14 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)  
(CONTINUED)**

**B. Total OPEB Liability**

**Actuarial Assumptions.** The total OPEB liability was measured as of January 1, 2021. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

	OPEB Plan
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age normal Cost Method
Salary Increases/Inflation	5.0%
Municipal Bond Rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare Cost Trend Rates	5.5% Per Year Graded Down by the Society of Actuaries Long-Run Medical Cost Trend Model
Mortality	PubS-2010 Mortality Table for Police and Fire Drivers, and PubG-2020 Mortality Table for Nonuniformed Employees

**Discount Rate.** The discount rate used to measure the total OPEB liability was 1.93% for the Plan, relating to the S&P Municipal Bond 20-Year High Grade Rate Index as of January 1, 2021. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

**Changes in the Total OPEB Liability**

Balance - January 1, 2020	\$ 2,788,104
Changes for the Year:	
Service Cost	119,164
Interest Cost	91,841
Changes of Benefit Terms	(6,428)
Changes for Experience	(465,342)
Changes for Assumptions	272,267
Benefit Payments (Estimated)	(166,265)
Net Changes	(154,763)
Balance - January 1, 2021	\$ 2,633,341

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)  
(CONTINUED)**

**B. Total OPEB Liability (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of the Borough, calculated using the discount rate of 1.93%, as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (0.93%) or one-percentage-point higher (2.93%) than the current rate:

Borough's Total OPEB Liability:	
1% Decrease (0.93%)	\$ 2,864,961
Current Discount Rate (1.93%)	2,633,341
1% Increase (2.93%)	2,424,745

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.** The following presents the total OPEB liability of the Borough, calculated using the current healthcare cost trend rate of 5.5%, as well as what the Borough's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower (4.5%) or one-percentage-point higher (6.5%) than the current rate:

Borough's Total OPEB Liability:	
1% Decrease (4.5%)	\$ 2,375,767
Current Healthcare Cost Trend Rate (5.5%)	2,633,341
1% Increase (6.5%)	2,940,985

**OPEB Expense and Deferred Outflows of Resources Related to OPEB.** For the year ended December 31, 2021, the Borough recognized OPEB expense totaling \$70,312. As of December 31, 2021, the Borough reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 340,397	\$ 57,984
Changes for Experience	-	734,027
Change in Benefits	-	6,427
Benefit Payments Subsequent to the Measurement Date	166,178	-
Total	<u>\$ 506,575</u>	<u>\$ 798,438</u>

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)  
(CONTINUED)**

**B. Total OPEB Liability (Continued)**

**OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued).**

Deferred outflows of \$166,178 for benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ (134,265)
2023	(134,265)
2024	(134,264)
2025	(16,727)
2026	(38,520)
Total	<u>\$ (458,041)</u>

**NOTE 15 DEFINED CONTRIBUTION OTHER POSTEMPLOYMENT BENEFITS PLAN**

The Borough, in accordance with the Borough Council's approval, offers a defined contribution postemployment health plan (PEHP) created in accordance with Internal Revenue Code Section 501(c)(9). The PEHP is funded through a voluntary employees' beneficiary association (VEBA) to provide postretirement reimbursement of qualifying medical care expenses and health care insurance premiums. The Plan requires mandatory participation by all active members of the Hanover Professional Firefighters Local 2045 bargaining unit and is not available to any other employees of the Borough. The Plan had 15 active participants as of December 31, 2021.

The Plan requires annual contributions by the Borough for each active participant (\$700 for 2021), and active participants employed before January 1, 2009, receive an additional Borough contribution (\$30 of pay up to a maximum of \$780 annually) in lieu of receiving Emergency Medical Technician/ Automated External Defibrillator (EMT/AED) pay. In addition, up to five days of accumulated sick leave is annually deposited per active participant at their current pay rate for those having been employed by the Borough for at least 10 years, and up to 60 days of accumulated sick leave (less those previously deposited) are contributed upon retirement. Employee salary deferrals are not permitted to the Plan. Borough contributions of \$33,361 were accrued for the 501(c)(9) Plan for the year ended December 31, 2021.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 DEFINED CONTRIBUTION OTHER POSTEMPLOYMENT BENEFITS PLAN  
(CONTINUED)**

All amounts of compensation deferred under the Plans and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The assets will not be diverted to any other purpose. The Plan Administrator, Nationwide Retirement Solutions, is the trustee of the investments.

**NOTE 16 CONCENTRATION OF CREDIT RISK**

The Borough receives real estate and per capita taxes from residents within the Borough limits. The Borough uses a tax collector to collect all current real estate and per capita taxes. The Borough may lien any property associated with the real estate tax assessment, therefore an allowance for uncollectible real estate taxes is not considered necessary. The Borough also provides water, sewer, and garbage service to customers within the Hanover area, and grants credit to its residents for these services. This area is located in York and Adams Counties, which are in south central Pennsylvania. The Borough may lien any property receiving service for uncollected bills, therefore, an allowance for uncollectible services is not considered necessary.

**NOTE 17 RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough purchases commercial insurance coverage for these types of losses, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage. There were no insurance recoveries during the year ended December 31, 2021.

In 2018, the Borough began participation in the Intergovernmental Insurance Cooperative (IIC) through a perpetual-duration agreement, continuing until terminated pursuant to terms and conditions as defined therein. The IIC is a public entity risk pool established by certain units of local governments in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families, and dependents of the participating municipal members. The IIC receives, processes, and pays such claims as may occur within the benefit program of each municipal member. Management consists of a board of directors comprised of seven appointed representatives from the municipal membership. The Borough does not exercise any control over the activities of the IIC beyond its representation on the board of directors.

**BOROUGH OF HANOVER, PA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 17 RISK MANAGEMENT (CONTINUED)**

Under the Trust Plan, the Borough pays reasonable and customary healthcare expenses, including premiums for reinsurance, as there is an overall plan loss limitation, which is recalculated annually. The Plan's coverage is retrospectively rated, with final premium determination after loss experience is known. The Borough is responsible for its share of cross recovery of all municipal members as a net reduction in return of any premiums paid in excess of actual claims costs on an annual basis and is subject to supplemental assessments by municipal members if deemed necessary by the IIC. For the year ended December 31, 2021, the Borough paid premiums of \$4,082,860, and received \$663,475 for premiums paid in excess of actual claims cost for 2020 following dividend declaration in 2021.

The Borough also pays unemployment costs on a claims-made basis. Total unemployment expense for the year ended December 31, 2021, was \$1,706.

**NOTE 18 ENVIRONMENTAL CONCERNS**

The Borough has underground storage tanks for fuel and performs necessary testing in the surrounding land areas as necessary for leaks and potential contamination and operates a wastewater facility. In addition, the Borough, as part of the closure plan for the Black Rock Landfill, performs well tests and water analysis in the landfill and surrounding areas. If a leak or contamination occurs, the Borough could become liable for the cost to remediate. In 2018, the Borough executed a budget modification with a third-party engineering firm for additional off-site migration control activities due to testing results, including recovery well installation, and requests by the Pennsylvania Department of Environmental Protection (DEP), which were completed in 2020 and in continued monitoring and reporting. Total costs for the additional equipment, testing, and regular monitoring were \$50,124 for the year ended December 31, 2021, and are not expected to have a material effect on the Borough's financial position after giving effect to the provision for clean-up costs noted above.

**NOTE 19 CONTINGENCIES AND COMMITMENTS**

The Borough participates in several federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by or for the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. The Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Borough.

The Borough is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the Borough. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the Borough.

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 19 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

The Borough is involved with various lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

The Borough is committed under an Intergovernmental Cooperation Agreement related to the implementation of the York County Regional Chesapeake Bay Pollutant Reduction Plan, a County-based consortium to address stormwater discharges and implement pollution reduction plans. The agreement term is through December 31, 2023, with annual contribution to the consortium of \$102,490.

As disclosed in Note 1, the Borough also is committed under an Intergovernmental Cooperation Agreement for operating and capital program costs for operation of the Commission for an initial period of seven years. The Commission's budget is funded equally from the Borough and Penn Township in quarterly allotments. Gross allotments paid to the Commission for the year ended December 31, 2021, totaled \$653,196. Any difference between allotments made and actual Commission costs are retained by the Commission and considered in relation to future budget needs. The agreement stipulates no return or refund of such excess. As of December 31, 2021, the Commission held cash and investments totaling \$713,304 (unaudited), each equally funded by the Borough and Penn Township. The Commission has cash-basis audited financial statements available upon request.

In addition, the Borough is committed under the following significant contracts for purchases and construction projects outstanding, excluding any accounts payable and accrued expenses (retainage payable) on those contracts, as of December 31, 2021:

Project	Contract Amount	Contract Amount Outstanding
Water Fund:		
Water Main Lining Projects:		
Construction	\$ 584,278	\$ 427,450
Water Main Replacement Projects:		
Construction	1,674,870	1,298,011
Sheppard-Myers Dam Rehabilitation:		
Engineering	9,823,099	9,587,622
Sanitary Sewer Fund:		
Sewer Main Lining Project:		
Construction	592,438	271,906

**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 20 OPERATING LEASES**

The Borough leases several office machines for various departments, which are accounted for as operating leases with terms extending over the next several years. Renewal options are available for several of the leases. Future minimum payments required under the noncancelable operating leases are as follows for the years ending December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 35,535
2023	23,103
2024	2,449
2025	816
Total	<u>\$ 61,903</u>

Total operating lease expenditures for the year ended December 31, 2021, were \$35,625.

**NOTE 21 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>Water Fund</u>	<u>Regional Wastewater Fund</u>	<u>Sanitary Sewer Fund</u>	<u>Stormwater Authority Fund</u>	<u>Nonmajor Proprietary Fund</u>	<u>Total Proprietary Funds</u>
Operating Income (Loss)	\$ 2,152,793	\$ (1,072,534)	\$ 2,399,230	\$ 483,289	\$ (28,188)	\$ 3,934,590
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	1,090,023	1,355,847	318,306	8,021	10,575	2,782,772
(Increase) Decrease in:						
Accounts Receivable	189,680	(89)	116,450	3,462	(365)	309,138
Due from Other Governments	-	-	(491,169)	-	-	(491,169)
Due from Other Funds	(201,153)	(3,518)	304,031	-	-	99,360
Unbilled Services	(15,556)	-	(43,536)	(1,461)	-	(60,553)
Inventory	(137,093)	52,139	43,420	15,945	-	(25,589)
Prepaid Expenses	9,977	(49,609)	(443,907)	1,028	-	(482,511)
Net Pension Asset	(1,026,126)	(373,087)	(224,706)	(185,476)	-	(1,809,395)
Increase (Decrease) in:						
Accounts Payable and Accrued Expenses	205,871	19,711	(257,492)	37,556	331	5,977
Accrued Wages	5,802	2,622	412	906	170	9,912
Accrued Compensated Absences	(63,201)	726	(29,100)	(1,909)	2,442	(91,042)
Due to Other Funds	(67,686)	(337,114)	579	(3,713)	-	(407,934)
Unearned Revenue	-	461,522	-	-	(909)	460,613
Total OPEB Liability	(50,827)	(18,480)	(11,130)	(9,187)	-	(89,624)
Net Deferred Amounts from OPEB	13,853	5,037	3,033	2,504	-	24,427
Net Deferred Amounts from Pensions	296,282	107,724	64,881	53,554	-	522,441
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,402,639</u>	<u>\$ 150,897</u>	<u>\$ 1,749,302</u>	<u>\$ 404,519</u>	<u>\$ (15,944)</u>	<u>\$ 4,691,413</u>

**Debt Financing.** The Sanitary Sewer Fund recognized an interfund transfer of \$1,220,000 to subsidize the Regional Wastewater Fund's debt service payments made.



**BOROUGH OF HANOVER, PA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 22 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD PRONOUNCEMENTS**

The GASB has issued several pronouncements prior to the year ended December 31, 2021, and through the date the financial statements were available to be issued that may have a significant impact future financial presentations:

GASB Statement No. 87, *Leases*

The objective of this statement is to increase usefulness of governments' financial statements by requiring a single model for lease accounting, both capital and operating (previously not recognized as assets and liabilities) leases, based on the payment provisions of the contract and the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this statement are effective for periods beginning after June 15, 2021, based on 18-month extension provided by GASB Statement No. 95 (see Note 1). The implementation of this statement is expected to have a significant effect on the financial statements of the Borough in the year of implementation; however, the effects of said implementation are not yet quantifiable.

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*

The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs), representing a contract that conveys control of the right to use another party's information technology (IT) software to a government for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for periods beginning after June 15, 2022. The implementation of this statement is expected to have moderate effect on the financial statements of the Borough in the year of implementation; however, the effects of said implementation are not yet quantifiable.

**NOTE 23 RESTATEMENT**

The Borough had purchased a fire truck in 2014 that was not properly recorded as a capital asset. The fire truck has a historical cost of \$1,153,540 and beginning accumulated depreciation of \$711,350 as of January 1, 2021. The restatement is adjusting the corresponding capital asset and net position balances accordingly.

	Governmental Activities
Net Adjustments are as follows:	
Net Position previously reported as of January 1, 2021	\$ 17,847,345
Correction of an error, net	442,190
Net position as restated as of January 1, 2021	\$ 18,289,535

**REQUIRED SUPPLEMENTARY INFORMATION**



**BOROUGH OF HANOVER, PA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2021  
(UNAUDITED)**

	Original and Final Budget	Actual	Variance
<b>REVENUES</b>			
Taxes	\$ 8,508,325	\$ 9,311,289	\$ 802,964
Licenses and Permits	274,750	667,657	392,907
Fines and Forfeitures	159,000	197,328	38,328
Interest and Rents	290,170	262,355	(27,815)
Intergovernmental	1,714,800	1,190,142	(524,658)
Charges for Services	4,928,420	5,286,963	358,543
Donations from Private Sources	390,550	319,806	(70,744)
Miscellaneous	235,200	231,565	(3,635)
Total Revenues	<u>16,501,215</u>	<u>17,467,105</u>	<u>965,890</u>
<b>EXPENDITURES</b>			
General Government	1,471,949	1,489,245	17,296
Public Safety	7,230,111	7,250,146	20,035
Health and Sanitation	3,636,289	3,854,120	217,831
Highways	1,555,546	1,524,214	(31,332)
Culture and Recreation	1,598,269	1,164,077	(434,192)
Debt Service	1,262,507	1,189,140	(73,367)
Capital Outlays	783,972	444,536	(339,436)
Total Expenditures	<u>17,538,643</u>	<u>16,915,478</u>	<u>(623,165)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	(1,037,428)	551,627	1,589,055
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Disposal of Capital Assets	132,999	-	(132,999)
Proceeds from Capital Lease Obligations	434,000	239,968	(194,032)
Total Other Financing Sources (Uses)	<u>566,999</u>	<u>239,968</u>	<u>(327,031)</u>
<b>CHANGES IN FUND BALANCES</b>	(470,429)	791,595	1,262,024
Fund Balances - Beginning of Year	<u>10,887,338</u>	<u>10,887,338</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,416,909</u>	<u>\$ 11,678,933</u>	<u>\$ 1,262,024</u>

**BOROUGH OF HANOVER, PA**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**  
**POLICE PENSION PLAN**  
**LAST 10 FISCAL YEARS\***  
**(UNAUDITED)**

	2021	2020	2019	2018
Total Pension Liability:				
Service Cost	\$ 397,498	\$ 381,608	\$ 363,436	\$ 393,942
Interest	1,073,011	1,015,321	966,806	926,381
Changes of Benefit Terms	-	-	-	-
Changes for Experience	116,418	-	(468,572)	-
Changes of Assumptions	-	-	373,371	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	(725,016)	(685,174)	(625,499)	(608,734)
Net Change in Total Pension Liability	861,911	711,755	609,542	711,589
Total Pension Liability - Beginning	15,177,326	14,465,571	13,856,029	13,144,440
Total Pension Liability - Ending (A)	16,039,237	15,177,326	14,465,571	13,856,029
Plan Fiduciary Net Position:				
Contributions - Employer	688,770	595,878	545,941	564,507
Contributions - Plan Members	67,302	65,342	67,525	64,231
Net Investment Income	2,075,006	1,750,636	2,243,761	(830,854)
Benefit Payments, Including Refunds of Plan				
Member Contributions	(725,016)	(685,174)	(625,499)	(608,734)
Administrative Expense	(7,000)	(4,500)	(8,100)	(4,600)
Net Change in Plan Fiduciary Net Position	2,099,062	1,722,182	2,223,628	(815,450)
Plan Fiduciary Net Position - Beginning	15,762,880	14,040,698	11,817,070	12,632,520
Plan Fiduciary Net Position - Ending (B)	17,861,942	15,762,880	14,040,698	11,817,070
Fund's Net Pension Liability (Asset) (A-B)	<u>\$ (1,822,705)</u>	<u>\$ (585,554)</u>	<u>\$ 424,873</u>	<u>\$ 2,038,959</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.36%	103.86%	97.06%	85.28%
Covered Payroll	\$ 2,217,815	\$ 2,138,745	\$ 2,242,984	\$ 1,978,380
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-82.18%	-27.38%	18.94%	103.06%

Note to Schedule:

\* This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available since the implementation year of GASB 68.

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
POLICE PENSION PLAN (CONTINUED)  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 375,183	\$ 316,342	\$ 301,278	\$ 264,674
Interest	877,558	837,000	797,720	773,726
Changes of Benefit Terms	-	-	-	-
Changes for Experience	(529,608)	-	(27,836)	-
Changes of Assumptions	440,603	-	(133,554)	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	(539,320)	(548,229)	(557,605)	(584,107)
Net Change in Total Pension Liability	624,416	605,113	380,003	454,293
Total Pension Liability - Beginning	12,520,024	11,914,911	11,534,908	11,080,615
Total Pension Liability - Ending (A)	13,144,440	12,520,024	11,914,911	11,534,908
Plan Fiduciary Net Position:				
Contributions - Employer	399,759	419,625	478,308	478,718
Contributions - Plan Members	64,049	62,334	64,012	61,406
Net Investment Income	1,557,534	675,893	(446,203)	781,847
Benefit Payments, Including Refunds of Plan				
Member Contributions	(539,320)	(548,229)	(557,605)	(584,107)
Administrative Expense	(6,200)	(4,900)	(7,600)	(2,700)
Net Change in Plan Fiduciary Net Position	1,475,822	604,723	(469,088)	735,164
Plan Fiduciary Net Position - Beginning	11,156,698	10,551,975	11,021,063	10,285,899
Plan Fiduciary Net Position - Ending (B)	12,632,520	11,156,698	10,551,975	11,021,063
Fund's Net Pension Liability (Asset) (A-B)	\$ 511,920	\$ 1,363,326	\$ 1,362,936	\$ 513,845
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.11%	89.11%	88.56%	95.55%
Covered Payroll	\$ 2,107,504	\$ 2,077,787	\$ 2,160,409	\$ 1,902,925
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	24.29%	65.61%	63.09%	27.00%

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
FIRE DRIVERS' PENSION PLAN  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability:				
Service Cost	\$ 147,733	\$ 165,334	\$ 157,461	\$ 136,679
Interest	565,777	545,086	524,881	488,774
Changes of Benefit Terms	-	-	-	210,311
Changes for Experience	13,048	-	9,699	-
Changes of Assumptions	-	-	261,458	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	<u>(418,971)</u>	<u>(401,574)</u>	<u>(401,574)</u>	<u>(401,574)</u>
Net Change in Total Pension Liability	307,587	308,846	551,925	434,190
Total Pension Liability - Beginning	<u>8,131,240</u>	<u>7,822,394</u>	<u>7,270,469</u>	<u>6,836,289</u>
Total Pension Liability - Ending (A)	8,438,827	8,131,240	7,822,394	7,270,479
Plan Fiduciary Net Position:				
Contributions - Employer	314,968	165,976	158,627	42,787
Contributions - Plan Members	51,105	49,680	47,625	43,009
Net Investment Income	955,426	1,002,157	1,267,942	(420,640)
Benefit Payments, Including Refunds of Plan				
Member Contributions	(418,971)	(401,574)	(401,574)	(401,574)
Administrative Expense	<u>(5,900)</u>	<u>(3,500)</u>	<u>(6,100)</u>	<u>(4,000)</u>
Net Change in Plan Fiduciary Net Position	896,628	812,739	1,066,520	(740,418)
Plan Fiduciary Net Position - Beginning	<u>8,134,417</u>	<u>7,321,678</u>	<u>6,255,158</u>	<u>6,995,576</u>
Plan Fiduciary Net Position - Ending (B)	<u>9,031,045</u>	<u>8,134,417</u>	<u>7,321,678</u>	<u>6,255,158</u>
Fund's Net Pension Liability (Asset) (A-B)	<u>\$ (592,218)</u>	<u>\$ (3,177)</u>	<u>\$ 500,716</u>	<u>\$ 1,015,321</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	107.02%	100.04%	93.60%	86.04%
Covered Payroll	\$ 1,377,379	\$ 1,342,704	\$ 1,287,145	\$ 1,208,992
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-43.00%	-0.24%	38.90%	83.98%

Note to Schedule:

\* This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available since the implementation year of GASB 68.

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
FIRE DRIVERS' PENSION PLAN (CONTINUED)  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 122,036	\$ 109,094	\$ 103,899	\$ 92,224
Interest	459,512	426,339	414,642	410,195
Changes of Benefit Terms	-	-	-	-
Changes for Experience	48,992	-	(112,264)	-
Changes of Assumptions	242,550	-	-	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	<u>(375,372)</u>	<u>(356,656)</u>	<u>(356,611)</u>	<u>(319,985)</u>
Net Change in Total Pension Liability	497,718	178,777	49,666	182,434
Total Pension Liability - Beginning	<u>6,338,571</u>	<u>6,159,794</u>	<u>6,110,128</u>	<u>5,927,694</u>
Total Pension Liability - Ending (A)	6,836,289	6,338,571	6,159,794	6,110,128
Plan Fiduciary Net Position:				
Contributions - Employer	46,440	37,805	64,277	66,988
Contributions - Plan Members	41,439	39,220	36,883	37,484
Net Investment Income	1,061,777	303,972	(25,197)	155,116
Benefit Payments, Including Refunds of Plan				
Member Contributions	(375,372)	(356,656)	(356,611)	(319,985)
Administrative Expense	<u>(6,100)</u>	<u>(3,800)</u>	<u>(6,500)</u>	<u>(1,800)</u>
Net Change in Plan Fiduciary Net Position	768,184	20,541	(287,148)	(62,197)
Plan Fiduciary Net Position - Beginning	<u>6,227,392</u>	<u>6,206,851</u>	<u>6,493,999</u>	<u>6,556,196</u>
Plan Fiduciary Net Position - Ending (B)	<u>6,995,576</u>	<u>6,227,392</u>	<u>6,206,851</u>	<u>6,493,999</u>
Fund's Net Pension Liability (Asset) (A-B)	<u>\$ (159,287)</u>	<u>\$ 111,179</u>	<u>\$ (47,057)</u>	<u>\$ (383,871)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.33%	98.25%	100.76%	106.28%
Covered Payroll	\$ 1,081,258	\$ 1,080,471	\$ 1,020,433	\$ 962,980
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-14.73%	10.29%	-4.61%	-39.86%



**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
HANOVER EMPLOYEES' PENSION PLAN  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

	2021	2020	2019	2018
Total Pension Liability:				
Service Cost	\$ 398,990	\$ 345,573	\$ 329,117	\$ 358,409
Interest	2,330,801	2,281,438	2,191,743	2,122,719
Changes of Benefit Terms	-	-	21,757	-
Changes for Experience	(517,629)	-	(1,256,261)	-
Changes of Assumptions	-	-	922,934	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	<u>(1,566,227)</u>	<u>(1,348,982)</u>	<u>(1,206,451)</u>	<u>(1,058,472)</u>
Net Change in Total Pension Liability	645,935	1,278,029	1,002,839	1,422,656
Total Pension Liability - Beginning	<u>34,198,913</u>	<u>32,920,884</u>	<u>31,918,045</u>	<u>30,495,389</u>
Total Pension Liability - Ending (A)	34,844,848	34,198,913	32,920,884	31,918,045
Plan Fiduciary Net Position:				
Contributions - Employer	482,575	359,784	347,424	249,949
Contributions - Plan Members	161,702	162,505	155,335	150,915
Net Investment Income	4,688,444	4,902,142	6,231,414	(1,976,195)
Benefit Payments, Including Refunds of Plan				
Member Contributions	(1,566,227)	(1,348,982)	(1,206,451)	(1,058,472)
Administrative Expense	<u>(15,200)</u>	<u>(7,000)</u>	<u>(16,400)</u>	<u>(6,600)</u>
Net Change in Plan Fiduciary Net Position	3,751,294	4,068,449	5,511,322	(2,640,403)
Plan Fiduciary Net Position - Beginning	<u>39,893,209</u>	<u>35,824,760</u>	<u>30,313,438</u>	<u>32,953,841</u>
Plan Fiduciary Net Position - Ending (B)	<u>43,644,503</u>	<u>39,893,209</u>	<u>35,824,760</u>	<u>30,313,438</u>
Fund's Net Pension Liability (Asset) (A-B)	<u>\$ (8,799,655)</u>	<u>\$ (5,694,296)</u>	<u>\$ (2,903,876)</u>	<u>\$ 1,604,607</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	125.25%	116.65%	108.82%	94.97%
Covered Payroll	\$ 5,561,675	\$ 6,150,125	\$ 5,660,980	\$ 5,614,113
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-158.22%	-92.59%	-51.30%	28.58%

Note to Schedule:

\* This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available since the implementation year of GASB 68.

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS  
HANOVER EMPLOYEES' PENSION PLAN (CONTINUED)  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 341,342	\$ 528,544	\$ 503,375	\$ 551,759
Interest	2,026,083	1,928,172	1,822,241	1,795,624
Changes of Benefit Terms	-	-	-	-
Changes for Experience	(1,148,834)	-	(1,160,455)	-
Changes of Assumptions	1,189,911	-	-	-
Benefit Payments, Including Refunds of Plan				
Member Contributions	(949,487)	(874,219)	(800,748)	(715,865)
Net Change in Total Pension Liability	1,459,015	1,582,497	364,413	1,631,518
Total Pension Liability - Beginning	29,036,374	27,453,877	27,089,464	25,457,946
Total Pension Liability - Ending (A)	30,495,389	29,036,374	27,453,877	27,089,464
Plan Fiduciary Net Position:				
Contributions - Employer	268,797	263,766	423,936	448,010
Contributions - Plan Members	151,420	156,153	157,438	160,897
Net Investment Income	4,891,289	1,308,135	(91,891)	722,392
Benefit Payments, Including Refunds of Plan				
Member Contributions	(949,487)	(874,219)	(800,748)	(715,865)
Administrative Expense	(10,500)	(7,600)	(10,600)	(7,900)
Net Change in Plan Fiduciary Net Position	4,351,519	846,235	(321,865)	607,534
Plan Fiduciary Net Position - Beginning	28,602,322	27,756,087	28,077,952	27,470,418
Plan Fiduciary Net Position - Ending (B)	32,953,841	28,602,322	27,756,087	28,077,952
Fund's Net Pension Liability (Asset) (A-B)	\$ (2,458,452)	\$ 434,052	\$ (302,210)	\$ (988,488)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.06%	98.51%	101.10%	103.65%
Covered Payroll	\$ 5,507,764	\$ 5,462,803	\$ 5,586,454	\$ 5,239,612
Fund's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	-44.64%	7.95%	-5.41%	-18.87%

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CONTRIBUTIONS  
PENSION PLANS  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

**POLICE PENSION PLAN**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 688,770	\$ 688,770	\$ -	\$ 2,217,815	31.06%
2020	595,778	595,878	(100)	2,138,745	27.86
2019	545,941	545,941	-	2,242,984	24.34
2018	404,070	564,507	(160,437)	1,978,380	28.53
2017	398,330	399,759	(1,429)	2,107,504	18.97
2016	398,325	419,625	(21,300)	2,077,787	20.20
2015	478,308	478,308	-	2,160,409	22.14
2014	478,718	478,718	-	1,902,925	25.16
2013	380,559	380,559	-	1,713,930	22.20
2012	348,397	348,397	-	1,782,147	19.55

**FIRE DRIVERS' PENSION PLAN**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 314,968	\$ 314,968	\$ -	\$ 1,377,379	22.87%
2020	165,976	165,976	-	1,342,704	12.36
2019	158,627	158,627	-	1,287,145	12.32
2018	42,787	42,787	-	1,208,992	3.54
2017	46,440	46,440	-	1,081,258	4.29
2016	37,805	37,805	-	1,080,471	3.50
2015	64,277	64,277	-	1,020,433	6.30
2014	66,988	66,988	-	962,980	6.96
2013	203,763	203,763	-	913,768	22.30
2012	187,994	187,994	-	967,608	19.43

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CONTRIBUTIONS  
PENSION PLANS (CONTINUED)  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

**HANOVER EMPLOYEES' PENSION PLAN**

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 482,575	\$ 482,575	\$ -	\$ 5,561,675	8.68%
2020	359,784	359,784	-	6,150,125	5.85
2019	347,424	347,424	-	5,660,980	6.14
2018	249,949	249,949	-	5,614,113	4.45
2017	268,797	268,797	-	5,507,764	4.88
2016	263,766	263,766	-	5,462,803	4.83
2015	423,936	423,936	-	5,586,454	7.59
2014	448,010	448,010	-	5,239,612	8.55
2013	574,943	574,943	-	5,294,038	10.86
2012	482,645	482,645	-	5,364,775	9.00

Notes to Schedule:

Actuarial Assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value as Determined by the Trustee
Inflation Assumption	3%
Projected Salary Increases	5%
Investment Rate of Return	7%, Net of Pension Plan Investment Expense, Including Inflation

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CONTRIBUTIONS  
PENSION PLANS (CONTINUED)  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

	Pension Plans		
	Police	Fire Drivers'	Hanover Employees'
Amortization Method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining Amortization Period	11 Years	13 Years	11 Years
Mortality	Based on PubS-2010 Mortality Table, Including Rates for Disabled Retirees and Contingent Survivors (Incorporated into the Table are Rates Projected Generationally Using Scale MP-2018 to reflect mortality improvements)	Based on PubS-2010 Mortality Table, Including Rates for Disabled Retirees and Contingent Survivors (Incorporated into the Table are Rates Projected Generationally Using Scale MP-2018 to reflect mortality improvements)	Based on PubS-2010 Mortality Table, Including Rates for Disabled Retirees and Contingent Survivors (Incorporated into the Table are Rates Projected Generationally Using Scale MP-2018 to reflect mortality improvements)
Retirement Age	Active Members at Age 53 and Completion of 25 Years of Service or Age on Valuation Date, if Greater; Vested Former Members at Normal Retirement Age, or Age on Valuation Date, if Greater	Normal Retirement Age, on Valuation Date, if Greater	Normal Retirement Age, on Valuation Date, if Greater

*Change in Benefit Terms:*

In 2014, benefits for nonunion, nonuniformed employees in the Hanover Employees' Pension Plan hired on or after July 1, 2014, changed:

- 1) Normal retirement date is attained at age 60 and completion of 25 years of vesting service (previously age 55), or attainment of age 65 and completion of 10 years of vesting service (previously age 62).
- 2) Normal retirement pension is 1% of average monthly compensation multiplied by the total number of years of benefit service rounded to the nearest one-half year (previously 1.5%).

In 2018, the Fire Drivers' Pension Plan pension benefit increased from 1.75% to 1.9% of average monthly compensation.

**BOROUGH OF HANOVER, PA  
SCHEDULE OF CONTRIBUTIONS  
PENSION PLANS (CONTINUED)  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

*Change in Benefit Terms (Continued):*

In 2019, through unionization, benefits for certain prior nonunion members hired after July 1, 2014, of the Hanover Employees' Pension Plan changed:

- 1) Normal retirement date is attained at age 55 and completion of 25 years of vesting service (previously age 60), or attainment of age 62 and completion of 10 years of vesting service (previously age 65).
- 2) Normal retirement pension is 1.5% of average monthly compensation multiplied by the total number of years of benefit service rounded to the nearest one-half year (previously 1%).

*Change in Assumptions:*

In 2015, the cost-of-living increase assumption for the Police Pension Plan was revised from 4% to 3% per year to reflect history of cost-of-living increases.

In 2017, the mortality assumptions for all pension plans were revised from the RP-2000 Mortality Tables for Males and Females for expectation of retired life mortality to the IRS 2017 Static Combined Table for Small Plans.

In 2019, the mortality assumptions for all pension plans were revised from the IRS 2017 Static Combined Table for Small Plans to the PubS-2010 Mortality Table for Police and Fire Drivers' Pension Plans, and the PubG-2010 Mortality Table for Hanover Employees' Pension Plan.

**BOROUGH OF HANOVER, PA  
SCHEDULE OF INVESTMENT RETURNS  
PENSION PLANS  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

Fiscal Year	Average Money-Weighted Rate of Return, Net of Investment Expense		
	Police	Fire Drivers'	Hanover Employees'
2021	19.53%	21.13%	21.19%
2020	12.32%	13.77%	13.79%
2019	18.76%	20.42%	20.69%
2018	-6.55%	-6.14%	-6.04%
2017	13.87%	17.37%	17.20%
2016	6.36%	4.99%	4.74%
2015	-4.02%	-0.39%	-0.33%
2014	6.41%	2.40%	2.38%

Note to Schedule:

\* This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available since the implementation year of GASB 68.

**BOROUGH OF HANOVER, PA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS\***  
**(UNAUDITED)**

	2021	2020	2019	2018
Total OPEB Liability:				
Service Cost	\$ 119,164	\$ 104,345	\$ 152,618	\$ 133,310
Interest	91,841	97,105	108,558	118,997
Changes of Benefit Terms	(6,428)	-	(10,531)	-
Changes for Experience	(465,342)	-	(692,487)	-
Changes of Assumptions	272,267	92,717	(115,968)	120,426
Benefit Payments (Estimated)	(166,265)	(151,547)	(173,416)	(153,071)
Net Changes in Total OPEB Liability	(154,763)	142,620	(731,226)	219,662
Total OPEB Liability - Beginning of Year	2,788,104	2,645,484	3,376,710	3,157,048
Total OPEB Liability - End of Year	\$ 2,633,341	\$ 2,788,104	\$ 2,645,484	\$ 3,376,710
Covered-Employee Payroll	\$ 8,830,860	\$ 8,587,152	\$ 8,587,152	\$ 8,621,059
Total OPEB Liability as a Percentage of Covered-Employee Payroll	29.82%	32.47%	30.81%	39.17%

## Notes to Schedule:

The total OPEB liability amount presented for each fiscal year was determined as of the fiscal year-end.

No assets have been accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay related benefits.

\* This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available since the implementation year of GASB 75.



**BOROUGH OF HANOVER, PA  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS (CONTINUED)  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

*Valuation Date:*

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported. The total OPEB liability is based on a roll forward from this date.

*Actuarial Assumptions:*

Actuarial Cost Method	Entry Age Normal Cost Method
Salary Increase/Inflation	5.0%
Municipal Bond Rate	3.26% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare Cost Trend Rates	5.5% per year graded down by the Society of Actuaries Long-Run Medical Cost Trend Model to an ultimate rate of 3.8% per year
Mortality	PubS-2010 Mortality Table for Police and Fire Drivers, and PubG-2010 Mortality Table for Nonuniformed Employees

*Change in Benefit Terms:*

After January 1, 2015, new Fire Driver employees are not eligible to purchase health insurance through the Borough after retirement.

After January 1, 2019, new Water Department and Nonuniformed White Collar employees are not eligible to purchase health insurance through the Borough after retirement.

*Change in Assumptions:*

In 2020, the discount rate changed from 3.64% to 3.26%.

In 2019, the discount rate changed from 3.16% to 3.64%.

In 2019, the mortality table was updated from the IRS 2017 Static Combined Table for Small Plans to the PubS-2010 Mortality Table for Police and Fire Drivers, and to the PubG-2010 Mortality Table for Nonuniformed Employees.

**OTHER SUPPLEMENTARY INFORMATION**

**BOROUGH OF HANOVER, PA  
COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
DECEMBER 31, 2021  
(UNAUDITED)**

	Pension (and Other Employee Benefit) Trust Funds				Total Pension (and Other Employee Benefit) Trust Funds
	Police Pension Fund	Fire Drivers' Pension Fund	Hanover Employees' Pension Fund	Component Unit - Fire Drivers' PEHP Fund	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 504,290	\$ 406,480	\$ 1,682,869	\$ 25,249	\$ 2,618,888
Contributions and Pension Benefits Receivable	-	-	14,993	-	14,993
Due from Broker	-	-	-	27,403	27,403
Accrued Interest Receivable	23,836	1,021	41,479	-	66,336
Investments	17,328,212	8,619,840	41,890,834	404,272	68,243,158
Total Assets	17,856,338	9,027,341	43,630,175	456,924	70,970,778
<b>NET POSITION</b>					
Restricted for Pension Benefits	17,856,338	9,027,341	43,630,175	456,924	70,970,778
Total Net Position	\$ 17,856,338	\$ 9,027,341	\$ 43,630,175	\$ 456,924	\$ 70,970,778

**BOROUGH OF HANOVER, PA**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED DECEMBER 31, 2021**  
**(UNAUDITED)**

	Pension (and Other Employee Benefit) Trust Funds				Total Pension (and Other Employee Benefit) Trust Funds
	Police Pension Fund	Fire Drivers' Pension Fund	Hanover Employees' Pension Fund	Component Unit - Fire Drivers' PEHP Fund	
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ -	\$ 101,849	\$ 482,575	\$ 33,361	\$ 617,785
Commonwealth	688,770	213,119	-	-	901,889
Plan Members	67,404	51,055	163,082	-	281,541
Total Contributions	<u>756,174</u>	<u>366,023</u>	<u>645,657</u>	<u>33,361</u>	<u>1,801,215</u>
Investment Income:					
Interest Income	89,329	115,765	594,243	-	799,337
Net appreciation in fair value of investments	1,817,362	855,466	4,084,476	53,716	6,811,020
Dividends	238,053	21,355	139,426	-	398,834
Total Investment Income	<u>2,144,744</u>	<u>992,586</u>	<u>4,818,145</u>	<u>53,716</u>	<u>8,009,191</u>
Less: Investment Expense	78,046	40,815	145,733	2,489	267,083
Net Investment Income	<u>2,066,698</u>	<u>951,771</u>	<u>4,672,412</u>	<u>51,227</u>	<u>7,742,108</u>
Total Additions	2,822,872	1,317,794	5,318,069	84,588	9,543,323
<b>DEDUCTIONS</b>					
Benefits	722,415	418,971	1,566,227	5,285	2,712,898
Administrative Expense	6,999	5,899	14,876	-	27,774
Total Deductions	<u>729,414</u>	<u>424,870</u>	<u>1,581,103</u>	<u>5,285</u>	<u>2,740,672</u>
<b>CHANGES IN NET POSITION</b>	2,093,458	892,924	3,736,966	79,303	6,802,651
Net Position - Beginning of Year	<u>15,762,880</u>	<u>8,134,417</u>	<u>39,893,209</u>	<u>377,621</u>	<u>64,168,127</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 17,856,338</u>	<u>\$ 9,027,341</u>	<u>\$ 43,630,175</u>	<u>\$ 456,924</u>	<u>\$ 70,970,778</u>