

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Londonderry, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Londonderry, New Hampshire

Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Londonderry, New Hampshire, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Londonderry, New Hampshire as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 51 to 54, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



November 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Londonderry, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Londonderry for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Londonderry's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains 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 Town's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements summarize functions that are principally supported by taxes and intergovernmental revenues. The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation, and economic development.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$42,132,168 (i.e., net position), a change of \$1,015,326 in comparison to the prior year, as restated.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$23,719,883, a change of \$2,511,160 in comparison to the prior year, as restated.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,656,063, a change of \$(2,700,673) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Town's condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>	
	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 69,048	\$ 64,175
Capital assets	<u>76,299</u>	<u>78,427</u>
Total assets	145,347	142,602
Deferred outflows of resources	<u>7,108</u>	<u>10,261</u>
Total assets and deferred outflows	<u>\$ 152,455</u>	<u>\$ 152,863</u>
Current liabilities	\$ 12,204	\$ 4,770
Noncurrent liabilities	<u>57,463</u>	<u>58,219</u>
Total liabilities	69,667	62,989
Deferred inflows of resources	40,657	45,772
Net position:		
Net investment in capital assets	64,833	65,753
Restricted	8,127	7,098
Unrestricted	<u>(30,829)</u>	<u>(28,749)</u>
Total net position	<u>42,131</u>	<u>44,102</u>
Total liabilities, deferred inflows and net position	<u>\$ 152,455</u>	<u>\$ 152,863</u>

	<u>CHANGES IN NET POSITION</u>	
	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,370	\$ 7,407
Operating grants and contributions	1,497	857
General revenues:		
Property taxes	18,103	17,862
Interest, penalties and other taxes	1,144	1,364
Motor vehicle registrations	8,506	8,004
Grants and contributions not restricted to specific programs	1,326	1,295
Investment income	328	171
Other	<u>76</u>	<u>2</u>
Total revenues	40,350	36,962

(continued)

(continued)

<u>CHANGES IN NET POSITION</u>		
	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2018</u>	<u>2017</u>
Expenses:		
General government	4,746	2,343
Public safety	21,108	19,791
Highways and streets	5,857	6,109
Sanitation	4,576	4,162
Health and welfare	120	111
Culture and recreation	2,185	1,951
Conservation	10	18
Economic development	416	443
Interest	318	393
Total expenses	<u>39,336</u>	<u>35,321</u>
Change in net position	1,014	1,641
Net position - beginning of year, restated *	<u>41,117</u>	<u>42,461</u>
Net position - end of year	<u>\$ 42,131</u>	<u>\$ 44,102</u>

*Fiscal year 2017 amounts were not restated for OPEB liability resulting from the NHRS medical subsidy program as these numbers were not available.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position, \$64,833,466, reflects the Town's investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, vehicles and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$8,127,209, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(30,828,507) primarily resulting from the Town's unfunded net pension and total OPEB liabilities.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,015,326. Key elements of this change are as follows:

General fund operations, other than transfers	\$ 3,653
Sewer fund revenues over expenditures	1,185,532
Nonmajor governmental funds revenues over expenditures	71,975
Depreciation expense in excess of debt principal payments	(688,825)
Increase in net pension and OPEB liabilities, and related deferrals	(28,558)
Capital additions funded by operating revenues and fund balance reserves	620,400
Other GAAP accruals	<u>(148,851)</u>
Total	<u>\$ 1,015,326</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$23,719,883, a change of \$2,511,160 in comparison to the prior year. The sewer fund had excess revenues over expenditures of \$1,185,532. Other non-major governmental funds issued \$1,250,000 in debt for Exit 4A project.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,656,063, while total fund balance was \$9,796,093. The recommended level for the unassigned general fund balance per the Town's financial management policy is to retain not less than 5 percent and not higher than 7 percent of the gross municipal (general fund only) appropriations. At the end of June 30, 2018, the unassigned general fund balance exceeds the recommended level. Refer to the table below for fund balance as a percentage of gross municipal appropriations.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Gross Appropriations</u>
Unassigned fund balance	\$ 5,656,063	\$ 8,356,736	\$ (2,700,673)	16.3%
Total fund balance ¹	\$ 9,796,093	\$ 12,238,178	\$ (2,442,085)	28.3%

¹Includes capital reserve and expendable trust funds.

The total fund balance of the general fund changed by \$(2,442,086) during the current fiscal year. The primary underlying reasons for this change in fund balance are as follows:

Use of fund balance:	
For the Town-wide emergency communications	
upgrade property	\$ (2,300,000)
For other uses	(1,606,500)
Revenues short of budget	(550,475) *
Expenditures less than budget	1,434,401 *
Excess of current year encumbrances over prior year	526,204
Transfers in excess of budget	31,261
Premium in excess of budget	75,767
Capital reserve fund operations	<u>(52,744)</u>
Total	<u>\$ (2,442,086)</u>

* See Section E below for additional information regarding these changes

The Town's capital reserve and expendable trust funds are included in total general fund balance as follows:

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Capital reserve funds	\$ 682,023	\$ 848,572	\$ (166,549)
Expendable trust funds	<u>616,530</u>	<u>502,725</u>	<u>113,805</u>
Total	<u>\$ 1,298,553</u>	<u>\$ 1,351,297</u>	<u>\$ (52,744)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget result from supplemental appropriations for contract negotiations and revised revenue estimates on the Town's MS-434.

Significant budget to actual variances for general fund revenues, expenditures and transfers include the following:

- The negative variance in Property Tax revenues and the positive variance in General Government expenditures are related with respect to fiscal year results pertaining to the Town's TIF (Tax Increment Financing) district. It was anticipated that \$1.25 million in both revenues and expenditures would be realized in the TIF in FY 2018, while approximately \$640,000 remained both uncollected and unspent at fiscal year-end. Additionally, property tax revenues were unfavorably impacted by higher than anticipated tax abatements (\$600K) and a property valuation error (\$600K) that occurred in the tax rate setting process in October 2017.

- Licenses and permits revenue was over budget by \$836,093. This was primarily due to increased motor vehicle registration fees.
- Sanitation expenditures were under budget by \$224,767 due to favorable conditions relative to recycling and waste collection contracts.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$76,299,377 (net of accumulated depreciation), a change of \$(2,127,722) from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, vehicles and equipment, intangibles, improvements other than buildings, and infrastructure.

Additional information on the Town's capital assets can be found in Note 8 on page 31 of this report.

Credit rating. At the end of the current fiscal year, the Town's credit rating on outstanding bonded debt was Aa2, which was unchanged from the prior year.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$9,769,871, all of which was backed by the full faith and credit of the government. In addition, the Town has outstanding capital leases totaling \$2,746,039, which include both a purchase option and a non-appropriation clause.

Additional information on the Town's long-term debt can be found in Note 14 and Note 15 on pages 32-34 of this report.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic outlook for the Town of Londonderry continues to be very strong. According to US Census numbers for 2017, Londonderry was the fastest growing town government in New Hampshire for the second year in a row. Construction on the \$1 billion Woodmont Commons mixed-use development has begun in earnest, with two large-scale buildings as well as ancillary roadways currently under construction, with additional buildings slated to be under construction in 2019. Also in the area of Exit 4, Convenient MD, Citizens Bank, and Mattress Firm are all scheduled to start construction on new buildings in 2019. The Apple Tree Mall has a new owner who is investing millions into re-surfacing the parking lot, modernizing the mall façade, and updating signage. The Town is also investing \$1.2 million in bringing municipal sewer to this site along with other area developments. Finally, a new salon/spa received approval to build at a new location along Rt. 102. In the Exit 5 area, Northeast Poultry Products will begin construction on their new facility in the spring of 2019 (they were delayed for financial reasons in 2018), a new multi-tenant building was approved and built in 2018, a new Blue Bird self-storage facility is slated to be completed by February

2019, and a new gas station/convenience store and bank is currently under consideration for development. New residential construction also continues to be strong with the first phases of a 55+ development and workforce housing apartments, all having been built in 2018, with a number of single-family home subdivisions having been approved and in various stages of construction, also in 2018.

For the upcoming fiscal year, the taxpayers approved at the Annual Budgetary Town Meeting a combined \$40,407,838 for its operating and capital improvement budgets. During the year the Town will be investing \$650,000 in its Roadway Maintenance Trust Fund, which was created in 2012 to minimize the amount of debt issued for road construction projects. Between 2017 and 2018, the Town added \$44,326,691 to its total assessed valuation.

REQUESTS FOR INFORMATION

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

Director of Finance & Administration
Town of Londonderry
268B Mammoth Road
Londonderry, New Hampshire 03053

TOWN OF LONDONDERRY, NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 45,506,226
Investments	14,701,694
Receivables, net of allowance for uncollectibles:	
Property taxes	7,836,317
User fees	300,992
Departmental and other	684,360
Property held for resale	16,002
Prepaid items	<u>2,176</u>
Total current assets	69,047,767
Noncurrent:	
Capital assets:	
Land and construction in progress	16,603,025
Other capital assets, net of accumulated depreciation	<u>59,696,352</u>
Total non-current assets	76,299,377
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	7,017,178
Related to OPEB	<u>91,283</u>
Total deferred outflows of resources	<u>7,108,461</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	152,455,605
LIABILITIES	
Current:	
Accounts payable	928,837
Accrued liabilities	386,249
Tax refunds payable	464,832
Other liabilities	648,590
Unearned revenue	7,302,190
Current portion of long-term liabilities:	
Capital leases	609,613
Bonds payable	1,610,800
Compensated absences	234,422
Landfill post-closure	<u>18,133</u>
Total current liabilities	12,203,666
Noncurrent:	
Capital leases, net of current portion	2,136,426
Bonds payable, net of current portion	8,159,071
Compensated absences, net of current portion	1,625,961
Landfill post-closure, net of current portion	116,814
Net pension liability	35,505,975
Net OPEB liability	<u>9,918,883</u>
Total non-current liabilities	57,463,130
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,585,710
Related to OPEB	4,197,668
Taxes collected in advance	<u>34,873,263</u>
Total deferred inflows of resources	<u>40,656,641</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	110,323,437
NET POSITION	
Net investment in capital assets	64,833,466
Restricted externally or constitutionally for:	
Permanent funds:	
Nonexpendable	1,073,639
Expendable	115,610
Restricted by enabling legislation	6,937,960
Unrestricted	<u>(30,828,507)</u>
TOTAL NET POSITION	<u>\$ 42,132,168</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	<u>Expenses</u>				
GOVERNMENTAL ACTIVITIES:					
General government	\$ 4,746,249	\$ 656,463	\$ -	\$ -	\$ (4,089,786)
Public safety	21,107,534	4,542,627	-	-	(16,564,907)
Highways and streets	5,857,068	-	1,133,894	-	(4,723,174)
Sanitation	4,575,775	3,608,775	119,408	-	(847,592)
Health and welfare	119,850	-	-	-	(119,850)
Culture and recreation	2,182,755	561,937	244,075	-	(1,376,743)
Conservation	10,361	-	-	-	(10,361)
Economic development	416,246	-	-	-	(416,246)
Interest	317,919	-	-	-	(317,919)
Total Governmental Activities	<u>\$ 39,333,757</u>	<u>\$ 9,369,802</u>	<u>\$ 1,497,377</u>	<u>\$ -</u>	<u>(28,466,578)</u>
GENERAL REVENUES:					
					18,103,137
					1,143,638
					8,506,071
					1,325,734
					327,557
					75,767
Total general revenues					<u>29,481,904</u>
Change in net position					1,015,326
NET POSITION:					
Beginning of year, as restated					<u>41,116,842</u>
End of year					<u>\$ 42,132,168</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 42,760,848	\$ -	\$ 2,745,378	\$ 45,506,226
Investments	13,591,991	-	1,109,703	14,701,694
Receivables, net of allowance for uncollectibles:			-	
Property taxes	7,836,317	-	-	7,836,317
User fees	269,099	31,893	-	300,992
Other	53,738	-	630,621	684,359
Due from other funds	460,814	6,897,374	3,260,677	10,618,865
Prepaid items	2,176	-	-	2,176
Property held for resale	16,002	-	-	16,002
TOTAL ASSETS	\$ 64,990,985	\$ 6,929,267	\$ 7,746,379	\$ 79,666,631
LIABILITIES				
Accounts payable	\$ 805,202	\$ 54,252	\$ 69,383	\$ 928,837
Accrued liabilities	492,008	-	-	492,008
Tax refunds payable	464,832	-	-	464,832
Due to other funds	9,990,644	-	628,221	10,618,865
Other liabilities	648,590	-	-	648,590
TOTAL LIABILITIES	12,401,276	54,252	697,604	13,153,132
DEFERRED INFLOWS OF RESOURCES				
Taxes collected in advance	34,873,263	-	-	34,873,263
Unavailable revenues	7,920,353	-	-	7,920,353
TOTAL DEFERRED INFLOWS OF RESOURCES	42,793,616	-	-	42,793,616
FUND BALANCES				
Nonspendable	18,178	-	1,073,639	1,091,817
Restricted	-	6,875,015	348,824	7,223,839
Committed	2,272,453	-	5,742,902	8,015,355
Assigned	1,849,399	-	-	1,849,399
Unassigned	5,656,063	-	(116,590)	5,539,473
TOTAL FUND BALANCES	9,796,093	6,875,015	7,048,775	23,719,883
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 64,990,985	\$ 6,929,267	\$ 7,746,379	\$ 79,666,631

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total governmental fund balances	\$ 23,719,883
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,299,377
• Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	618,163
• Deferred outflows of resources related to pensions resulting from difference between expected and actual experience, changes in assumptions, and contributions subsequent to the measurement date will be recognized as an increase in pension expense in the years ending June 30, 2019 through June 30, 2022.	7,017,178
• Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as an increase in pension expense in the years ending June 30, 2019 through June 30, 2022.	91,283
• Deferred inflows of resources related to pensions resulting from differences between expected and actual experience, difference between projected and actual investment earnings, and changes in proportion will be recognized as a reduction of pension expense in the years ending June 30, 2019 through June 30, 2022.	(1,585,710)
• Deferred inflows of resources related to OPEB resulting from differences between expected and actual experience and changes in assumptions will be recognized as a reduction of OPEB expense in the years ending June 30, 2019 through June 30, 2028.	(4,197,668)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(128,662)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital leases	(2,746,039)
Bonds payable	(9,769,871)
Compensated absences	(1,625,961)
Landfill liability	(134,947)
Net pension liability	(35,505,975)
Net OPEB liability	(9,918,883)
Net position of governmental activities	\$ 42,132,168

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 18,017,310	\$ -	\$ -	\$ 18,017,310
Interest, penalties and other taxes	903,479	-	320,771	1,224,250
Licenses and permits	8,882,343	-	-	8,882,343
Intergovernmental	2,479,977	-	-	2,479,977
Charges for services	1,768,419	3,455,235	3,210,125	8,433,779
Investment income	243,800	-	83,760	327,560
Other revenues	<u>1,099,779</u>	<u>-</u>	<u>83,589</u>	<u>1,183,368</u>
Total Revenues	33,395,107	3,455,235	3,698,245	40,548,587
Expenditures:				
Current:				
General government	4,356,288	-	2,841	4,359,129
Public safety	18,050,816	-	2,997,192	21,048,008
Highways and streets	4,385,945	-	432,651	4,818,596
Sanitation	1,721,698	2,269,703	-	3,991,401
Health and welfare	119,581	-	269	119,850
Culture and recreation	1,861,489	-	70,338	1,931,827
Conservation	3,972	-	6,389	10,361
Economic development	412,415	-	-	412,415
Capital outlay	1,169,609	-	116,590	1,286,199
Debt service	<u>2,268,145</u>	<u>-</u>	<u>-</u>	<u>2,268,145</u>
Total Expenditures	<u>34,349,958</u>	<u>2,269,703</u>	<u>3,626,270</u>	<u>40,245,931</u>
Excess (deficiency) of revenues over (under) expenditures	(954,851)	1,185,532	71,975	302,656
Other Financing Sources (Uses):				
Issuance of bonds	-	-	1,250,000	1,250,000
Issuance of capital lease	882,737	-	-	882,737
Bond premium	75,767	-	-	75,767
Transfers in	374,261	-	3,020,000	3,394,261
Transfers out	<u>(2,820,000)</u>	<u>(235,249)</u>	<u>(339,012)</u>	<u>(3,394,261)</u>
Total Other Financing Sources (Uses)	<u>(1,487,235)</u>	<u>(235,249)</u>	<u>3,930,988</u>	<u>2,208,504</u>
Net changes in fund balances	(2,442,086)	950,283	4,002,963	2,511,160
Fund Balances, beginning of year	<u>12,238,179</u>	<u>5,924,732</u>	<u>3,045,812</u>	<u>21,208,723</u>
Fund Balances, end of year	<u>\$ 9,796,093</u>	<u>\$ 6,875,015</u>	<u>\$ 7,048,775</u>	<u>\$ 23,719,883</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - total governmental funds	\$ 2,511,160																				
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td><td style="text-align: right;">1,264,062</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(3,391,784)</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">85,829</div> Repayment of principal on bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. <div style="text-align: right;">2,702,959</div> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of bonds</td><td style="text-align: right;">(1,250,000)</td></tr> <tr> <td>Issuance of capital leases</td><td style="text-align: right;">(882,737)</td></tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">12,097</div> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Net pension liability</td><td style="text-align: right;">3,000,626</td></tr> <tr> <td>Pension related deferred inflows and outflows</td><td style="text-align: right;">(3,497,835)</td></tr> <tr> <td>Net OPEB liability</td><td style="text-align: right;">529,316</td></tr> <tr> <td>OPEB related deferred inflows and outflows</td><td style="text-align: right;">(60,665)</td></tr> </table> Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds. <table> <tr> <td>Compensated absences</td><td style="text-align: right;">(26,635)</td></tr> <tr> <td>Landfill post-closure liability</td><td style="text-align: right;">18,933</td></tr> </table> 	Capital outlay	1,264,062	Depreciation	(3,391,784)	Issuance of bonds	(1,250,000)	Issuance of capital leases	(882,737)	Net pension liability	3,000,626	Pension related deferred inflows and outflows	(3,497,835)	Net OPEB liability	529,316	OPEB related deferred inflows and outflows	(60,665)	Compensated absences	(26,635)	Landfill post-closure liability	18,933	
Capital outlay	1,264,062																				
Depreciation	(3,391,784)																				
Issuance of bonds	(1,250,000)																				
Issuance of capital leases	(882,737)																				
Net pension liability	3,000,626																				
Pension related deferred inflows and outflows	(3,497,835)																				
Net OPEB liability	529,316																				
OPEB related deferred inflows and outflows	(60,665)																				
Compensated absences	(26,635)																				
Landfill post-closure liability	18,933																				
Change in net position of governmental activities	\$ <u>1,015,326</u>																				

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 19,739,326	\$ 19,739,326	\$ 18,017,310	\$ (1,722,016)
Interest, penalties, and other taxes	847,675	847,675	903,479	55,804
Licenses and permits	8,046,250	8,046,250	8,882,343	836,093
Intergovernmental	1,604,404	2,485,327	2,479,977	(5,350)
Charges for services	1,665,794	1,665,794	1,768,419	102,625
Investment income	100,000	100,000	243,800	143,800
Other revenues	504,350	1,024,350	1,062,919	38,569
Total Revenues	32,507,799	33,908,722	33,358,247	(550,475)
EXPENDITURES				
General government	4,669,393	4,795,698	4,155,429	640,269
Public safety	17,498,642	17,996,978	17,552,476	444,502
Highways and streets	3,326,851	3,999,892	4,096,717	(96,825)
Sanitation	1,947,371	1,946,682	1,721,915	224,767
Health	371,234	374,140	350,616	23,524
Welfare	78,000	78,000	75,894	2,106
Culture and recreation	1,637,657	1,668,875	1,610,456	58,419
Conservation	3,350	3,350	3,972	(622)
Economic development	458,631	457,012	392,779	64,233
Capital outlay	2,048,675	1,600,100	1,567,992	32,108
Debt service	2,310,065	2,310,065	2,268,145	41,920
Total Expenditures	34,349,869	35,230,792	33,796,391	1,434,401
Excess (Deficiency) of revenue over expenditures	(1,842,070)	(1,322,070)	(438,144)	883,926
OTHER FINANCING SOURCES AND USES				
Transfers in	527,570	527,570	558,831	31,261
Transfers out	(292,000)	(3,112,000)	(3,112,000)	-
Bond premium	-	-	75,767	75,767
Use of fund balance	1,606,500	3,906,500	-	(3,906,500)
Total Other Financing Sources (Uses)	1,842,070	1,322,070	(2,477,402)	(3,799,472)
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (2,915,546)	\$ (2,915,546)

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and short term investments	\$ 995,185
Total Assets	<u>\$ 995,185</u>
LIABILITIES	
Escrow deposits	\$ 653,860
School funds	<u>341,325</u>
Total Liabilities	<u>\$ 995,185</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Notes to Financial Statements June 30, 2018

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Londonderry (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by a 5-member elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *sewer fund* is used to account for all of the activity associated with the management and operation of the Town's sewer systems, which are funded by sewer use charges and sewer connection fees.

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

The Town reports the following fiduciary fund:

- The *agency fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments consist of certificates of deposit, marketable securities, bonds, mutual funds, and short-term money market investments. Investments are carried at fair value, with the exception of certificates of deposit which are reported at cost.

F. Interfund Receivables and Payables

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

G. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

The Town's fund balance classifications are as follows:

- *Nonspendable funds* are either unspendable in the current form (i.e., prepaid items) or can never be spent (i.e., cemetery perpetual care principal).
- *Restricted funds* are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- *Committed funds* can only be used for specific purposes pursuant to binding constraints imposed by formal action of the Town's highest decision-making authority, which is the official ballot results from the annual Budgetary Town Meeting. These commitments can be established, modified, or rescinded only by majority ballot vote.
- *Assigned funds* are intended to be used for specific purposes as established by the approved Town Council budget.
- *Unassigned funds* represent the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

At the annual town meeting, the Town Council presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenue sources. The original budget can be amended during the fiscal year by special town meetings as required by changing conditions.

The Town's legal level of budgetary control is the total appropriation by fund, as voted by Town Meeting.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent fiscal year.

B. Budgetary Basis

The general fund and sewer fund final appropriation appearing on the "Budget and Actual" pages of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 33,395,107	\$ 34,349,958
Other financing sources/uses (GAAP basis)	<u>1,332,765</u>	<u>2,820,000</u>
Subtotal (GAAP Basis)	34,727,872	37,169,958
Subtract expenditures of prior year appropriation carryforwards	-	(715,252)
Add end-of-year appropriation carryforwards to expenditures	-	1,241,456
Reverse effect of combining general fund and capital reserve funds (GASB 54)	147,710	94,966
To remove gross up for issuance of capital leases	<u>(882,737)</u>	<u>(882,737)</u>
Budgetary basis	<u>\$ 33,992,845</u>	<u>\$ 36,908,391</u>

D. Deficit Fund Equity

The deficit in the Fire station project (included in nonmajor governmental funds) as of June 30, 2018 of \$(116,590) will be eliminated through future bond proceeds, which have been authorized but not yet issued.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank."

The Town's deposit policy for custodial credit risk requires a comprehensive review of the credit worthiness and capital ratios of the institutions. The Town's deposit policy limits the investment of Town assets to U.S. Treasury Securities maturing in less than one year, fully insured or collateralized certificates of deposits at commercial banks of the State of New Hampshire, New England Region and the State of New York, repurchase agreements fully collateralized by the U.S. Treasury Securities or agencies, and any state approved pool or instrument. The Town's policy further stipulates that all Town assets be secured through third-party custody and safekeeping procedures.

As of June 30, 2018, \$2,646,131 of the Town's bank balance of \$44,725,445 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town's name. Of that amount, \$2,646,131 was invested in the New Hampshire Public Deposit Investment Pool (NHPDIP) which is exempt from disclosure.

The Town also maintains various trust funds that are managed by the Trustees of Trust Funds (Trustees). As of June 30, 2018, none of the Trustees' short-term cash and investment balances of \$79,546 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town's name.

4. **Investments**

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the "prudent investor rule" whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. Neither the Town's nor the Trustees' policies specifically address investment credit risk.

Presented below (in thousands) is the actual rating as of year-end for each of the Town's and Trustees' investments (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	
		<u>AAA</u>	<u>A1</u>
Federal agencies	\$ 221,443	\$ 221,443	\$ -
Corporate bonds	175,404	-	175,404
Subtotal	396,847	\$ 221,443	\$ 175,404
Certificates of deposit	13,603,360		
Equities	701,487		
Total investments	\$ 14,701,694		

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Both the Town's and Trustees' investment policies follow the guidelines of New Hampshire RSA 31.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

As of June 30, 2018, none of the Town's investment balance of \$14,701,764 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town's name.

C. Concentration of Credit Risk

Neither the Town nor the Trustees place limits on the amount that may be invested in any one issuer. The Town invested in several certificates of deposits that represent more than 5% of the total investments. The following represents the Town's investment in certificates of deposit and their respective concentration:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Certificates of deposit:		
Citizens Bank	\$ 2,921,267	19.9%
Primary Bank	2,005,131	13.6%
TD Bank	3,579,697	24.3%
Century Bank	<u>4,595,005</u>	31.3%
Total	<u>\$ 13,101,100</u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Neither the Town nor the Trustees have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from changing interest rates.

Information about the sensitivity of the fair values of the Trustees' investments to market interest rate fluctuations is as follows (in thousands):

		Investment Maturities (in Years)	
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5</u>	<u>6-10</u>
Debt-related Securities:			
Federal agency securities	\$ 221,443	\$ 221,443	\$ -
Corporate bonds	<u>175,404</u>	<u>51,324</u>	<u>124,080</u>
Total	\$ 396,847	\$ 272,767	\$ 124,080

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Neither the Town nor the Trustees have policies for foreign currency risk.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing issued to value securities based on the securities relationship to benchmark quoted prices.

The Town has the following fair value measurements as of June 30, 2018:

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Description</u>				
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 221,443	\$ -	\$ 221,443	\$ -
Corporate bonds	175,404	-	175,404	-
Equity securities:				
Utilities	25,637	25,637	-	-
Information technology	133,241	133,241	-	-
Materials	19,769	19,769	-	-
Industrials	91,629	91,629	-	-
Healthcare	107,444	107,444	-	-
Financials	109,048	109,048	-	-
Energy	55,104	55,104	-	-
Consumer staples	48,182	48,182	-	-
Consumer discretionary	79,800	79,800	-	-
All others - combined	31,633	31,633	-	-
Total	\$ 1,098,334	\$ 701,487	\$ 396,847	\$ -

5. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property tax receivables at June 30, 2018 consist of the following, net of an estimated allowance for doubtful account:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 7,104,579	\$ -	\$ 7,104,579
Tax liens	777,486	(79,357)	698,129
Tax deferrals	33,609	-	33,609
Total property taxes	<u>\$ 7,915,674</u>	<u>\$ (79,357)</u>	<u>\$ 7,836,317</u>

Taxes Collected for Others

The Town collects property taxes for the Londonderry School District and for Rockingham County. Payments to the school district are normally made throughout the year and payment to the County is normally made in December. However, ultimate responsibility for the collection of these taxes rests with the Town.

6. User Fees Receivable

The Town provides sewer services but does not supply public water. Residential sewer user charges are based on a flat rate per quarter. Commercial and industrial sewer user charges have a minimum quarterly charge in addition to usage charges. Sewer bills are mailed quarterly covering September through November, December through February, March through May, and June through August. User fees receivable reported in the government-wide financial statements are \$31,893.

The Town also reports \$269,099 of ambulance user charges receivable in the government-wide financial statements.

7. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 460,814	\$ 9,990,644
Sewer Fund	6,897,374	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police outside detail	-	167,353
Police airport division	-	331,290
Conservation commission	-	12,988
Grants fund	3,354	-
Reclamation fund	1,025	-
Other special funds	58,384	-
Capital Project Funds:		
Fire station	-	116,590
Emergency Communications	177,914	-
Systems Upgrade	3,020,000	-
Subtotal Nonmajor Funds	<u>3,260,677</u>	<u>628,221</u>
Total	<u>\$ 10,618,865</u>	<u>\$ 10,618,865</u>

Transfers

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 374,261	\$ 2,820,000
Sewer Fund	-	235,249
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police airport division	-	93,512
Police outside detail	-	228,000
Capital Project Funds:		
Emergency Communications		
Systems Upgrade	3,020,000	-
Permanent funds	-	17,500
Subtotal Nonmajor Funds	<u>3,020,000</u>	<u>339,012</u>
Total	<u>\$ 3,394,261</u>	<u>\$ 3,394,261</u>

Of the transfer into the general fund, \$235,249 was transferred from the sewer fund for their share of the general fund costs. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and building improvements	\$ 18,825	\$ 39	\$ -	\$ 18,864
Machinery, vehicles, and equipment	11,913	540	(60)	12,393
Intangibles	689	3	-	692
Infrastructure	87,206	-	-	87,206
Improvements other than buildings	<u>755</u>	<u>72</u>	<u>-</u>	<u>827</u>
Total capital assets, being depreciated	119,388	654	(60)	119,982
Less accumulated depreciation for:				
Buildings and building improvements	(4,663)	(410)	-	(5,073)
Machinery, vehicles, and equipment	(8,632)	(948)	60	(9,520)
Intangibles	(591)	(1)	-	(592)
Infrastructure	(42,563)	(1,988)	-	(44,551)
Improvements other than buildings	<u>(504)</u>	<u>(44)</u>	<u>-</u>	<u>(548)</u>
Total accumulated depreciation	<u>(56,953)</u>	<u>(3,391)</u>	<u>60</u>	<u>(60,284)</u>
Total capital assets, being depreciated, net	62,435	(2,737)	-	59,698
Capital assets, not being depreciated:				
Land and land improvements	14,490	-	(21)	14,469
Construction in progress	<u>1,502</u>	<u>630</u>	<u>-</u>	<u>2,132</u>
Total capital assets, not being depreciated	<u>15,992</u>	<u>630</u>	<u>(21)</u>	<u>16,601</u>
Governmental activities capital assets, net	<u>\$ 78,427</u>	<u>\$ (2,107)</u>	<u>\$ (21)</u>	<u>\$ 76,299</u>

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

Governmental Activities:	
General government	\$ 236
Public safety	903
Highways and streets	1,271
Sanitation	849
Culture and recreation	130
Economic development	<u>2</u>
Total depreciation expense - governmental activities	<u>\$ 3,391</u>

9. Deferred Outflows of Resources

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

10. Accounts Payable

Accounts payable represent 2018 expenditures paid after June 30, 2018.

11. Accrued Liabilities

Accrued liabilities on the governmental fund balance sheet primarily consist of accrued payroll and accrued benefit leave payable, while accrued liabilities on the Statement of Net Position include these same liabilities as well as accrued interest on long-term debt at June 30, 2018.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property tax payers for potential future abatements. These cases are currently in litigation or pending with the state Board of Tax and Land Appeals.

13. Other Liabilities

This balance consists of miscellaneous Town obligations, including payroll withholdings and unclaimed property resulting from uncashed payroll and accounts payable checks that have been voided and segregated pending future resolution.

14. Capital Leases

The Town is the lessee of certain equipment under a capital lease agreement issued in the current fiscal year. Future minimum lease payments under this capital lease consisted of the following at June 30, 2018:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2019	\$ 668,611
2020	417,392
2021	420,239
2022	362,913
2023	304,341
2024-2027	<u>799,831</u>
Total minimum lease payments	2,973,327
Less amounts representing interest	<u>(227,288)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,746,039</u>

The Town has designated various capital reserve funds as the primary source to repay the obligations incurred under this capital lease agreement.

15. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

General obligation bonds, issued by the Town of Londonderry for various municipal projects, are approved by voters and repaid with property taxes recorded in the general fund.

B. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of 6/30/18</u>
<u>Governmental Activities:</u>			
Roadway improvements	11/15/18	3.58%	\$ 150,000
Roadway improvements	07/15/19	2.43%	200,000
Roadway improvements	12/01/20	2.38%	300,000
Roadway improvements	07/15/21	2.48%	400,000
Mammoth Road sewer	11/01/21	4.39%	480,000
Multi-purpose bond	07/01/23	3.83%	4,080,000
Refunding bonds	08/15/26	2.00%	1,970,000
Exit 4A (2016)	03/01/26	3.49%	939,871
Exit 4A (2018)	10/01/29	2.35%	<u>1,250,000</u>
Total Governmental Activities			<u>\$ 9,769,871</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,610,800	\$ 316,810	\$ 1,927,610
2020	1,585,800	262,180	1,847,980
2021	1,480,800	206,289	1,687,089
2022	1,375,800	154,072	1,529,872
2023	1,130,800	108,541	1,239,341
2024 - 2028	<u>2,585,871</u>	<u>158,729</u>	<u>2,744,600</u>
Total	<u>\$ 9,769,871</u>	<u>\$ 1,206,621</u>	<u>\$ 10,976,492</u>

The general fund has been designated as the primary source to repay all governmental-type long-term debt with the exception of capital leases, which will be repaid from various capital reserve funds.

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2018 are as follows:

<u>Purpose</u>	<u>Amount</u>
Central Fire Station	\$ 6,400,000
Mammoth Road Sewer	225,000
Auburn Road Water Line	49,600
Exit 4A Construction	2,092,000
Auburn Road Landfill Site	<u>900,000</u>
Total Unissued Bond Authorizations	<u>\$ 9,666,600</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	<u>Total</u>			<u>Total</u>	<u>Less</u>	<u>Equals</u>
	<u>Balance</u>			<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
<u>Governmental Activities</u>	<u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/18</u>	<u>Portion</u>	<u>6/30/18</u>
Capital leases	\$ 2,628	\$ 883	\$ (765)	\$ 2,746	\$ (610)	\$ 2,136
Bonds payable	10,458	1,250	(1,938)	9,770	(1,611)	8,159
Other:						
Compensated absences	1,833	1,189	(1,162)	1,860	(234)	1,626
Landfill post-closure	154	-	(19)	135	(18)	117
Net pension liability	38,507	-	(3,001)	35,506	-	35,506
Total/net OPEB liability	<u>10,448</u>	<u>-</u>	<u>(529)</u>	<u>9,919</u>	<u>-</u>	<u>9,919</u>
Totals	<u>\$ 64,028</u>	<u>\$ 3,322</u>	<u>\$ (7,414)</u>	<u>\$ 59,936</u>	<u>\$ (2,473)</u>	<u>\$ 57,463</u>

16. Landfill Post-closure Costs

The Town's landfill has been closed and capped. However, State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at its capped landfill site for a period of thirty years after closure.

The \$134,947 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

17. Deferred Inflows of Resources

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

Taxes collected in advance are reported in the governmental funds balance sheet in connection with May tax bills due July 1 for subsequent fiscal year that were collected prior to June 30.

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

18. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at June 30, 2018:

Nonspendable - This fund balance classification includes general fund offset for prepaid expenses and property held for resale and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - This fund balance classification includes general fund balance restricted for TIF, sewer fund, other special revenue funds, and the income portion of permanent trust funds.

Committed - This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Budgetary Town Meeting, and capital reserve and expendable trust funds set aside by Budgetary Town Meeting vote for future capital acquisitions and improvements.

Assigned - This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned – This fund balance classification includes the residual classification for the general fund and temporary fund balance deficits in other governmental funds.

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid and held for resale	\$ 18,178	\$ -	\$ -	\$ 18,178
Nonexpendable permanent funds	-	-	1,073,639	1,073,639
Total Nonspendable	18,178	-	1,073,639	1,091,817
Restricted				
Special revenue funds:				
Sewer fund	-	6,875,015	-	6,875,015
Leach Library	-	-	62,945	62,945
Other special funds	-	-	58,831	58,831
Capital project funds:				
Exit 4A	-	-	111,438	111,438
Expendable permanent funds	-	-	115,610	115,610
Total Restricted	-	6,875,015	348,824	7,223,839
Committed				
Subsequent year appropriations:				
Roadway maintenance trust	325,000	-	-	325,000
Fire dept equipment	75,000	-	-	75,000
Geographic Information Systems	14,000	-	-	14,000
Expendable maintenance trust	90,000	-	-	90,000
Pillsbury cemetery	100,000	-	-	100,000
Cemeteries	10,000	-	-	10,000
Fire dept trust	70,000	-	-	70,000
Construction of recreation maintenance building	189,900	-	-	189,900
Commercial and industrial assessment	100,000	-	-	100,000
Capital reserves:				
Fire department	109,459	-	-	109,459
Cemetery land	22,658	-	-	22,658
Highway heavy equipment	117,696	-	-	117,696
Geographic information system	33,544	-	-	33,544
Pillsbury cemetery	257,035	-	-	257,035
Fire department equipment	108,452	-	-	108,452
Cable division equipment	189,259	-	-	189,259
ECO park	31,509	-	-	31,509
Master plan	627	-	-	627
Maintenance reserve	90,859	-	-	90,859
Roadway maintenance	337,455	-	-	337,455
Special revenue funds:				
Police outside detail	-	-	131,040	131,040
Police airport division	-	-	938	938
Conservation	-	-	2,293,468	2,293,468
Reclamation fund	-	-	297,456	297,456
Capital project funds:				
Emergency communications systems upgrade	-	-	3,020,000	3,020,000
Total Committed	2,272,453	-	5,742,902	8,015,355
Assigned				
Budgetary encumbrances	1,849,399	-	-	1,849,399
Total Assigned	1,849,399	-	-	1,849,399
Unassigned	5,656,063	-	(116,590)	5,539,473
Total Fund Balances	\$ 9,796,093	\$ 6,875,015	\$ 7,048,775	\$ 23,719,883

19. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the governmental funds balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting to the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between the GAAP basis and the budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 5,656,063
Unavailable revenues	<u>618,163</u>
Tax Rate Setting Balance	<u>\$ 6,274,226</u>

20. Retirement System

The Town follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

Years of creditable service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	12	2.2%
Less than 4 years	49	24	2.1%

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. This range excludes the contributions for the medical subsidy described in the OPEB note. The Town's contribution to NHRS for the year ended June 30, 2018 was \$2,644,855, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Town reported a liability of \$35,505,975 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2017, the Town's proportion was 0.72% percent, which is the same as the previous year proportion.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,507,866. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,507	\$ 451,889
Changes of assumptions	3,565,269	-
Net difference between projected and actual earnings on pension plan investments	-	452,186
Changes in proportion and differences between contributions and proportionate share of contributions	-	681,635
Contributions subsequent to the measurement date	<u>3,371,402</u>	<u>-</u>
Total	<u><u>\$ 7,017,178</u></u>	<u><u>\$ 1,585,710</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the pension expense in the year ended June 30, 2019. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 395,095
2020	1,262,593
2021	1,006,218
2022	<u>(603,840)</u>
Total	<u><u>\$ 2,060,066</u></u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
Salary increases	5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	3.68%
Total alternative investments	15.00	
Real estate	10.00	3.25%
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2018	\$ 46,777,341	\$ 35,505,975	\$ 26,269,538

I. Pension Plan Fiduciary Net Position

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

21. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

General Information about the OPEB Plan

Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

The benefits, benefit levels, employee contributions, and employer contributions are based on requirements of the New Hampshire Retirement System (NHRS) and governed by RSA 100-A:50.

The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	20
Active employees	<u>170</u>
Total	<u><u>190</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25% per year
Salary increases	3.25% for general wage inflation plus merit and productivity increases
Discount rate	3.87%
Healthcare cost trend rates	8.5% for 2019, fluctuating 0.5%, to an ultimate rate of 5.0% as of 2026 and later years

The discount rate was based on the 20-year tax-exempt general obligation municipal bond indices at June 30, 2018.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2009.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$7,133,061 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 7/1/2017	\$ 7,462,817
Changes for the year:	
Service cost	469,307
Interest	277,709
Differences between expected and actual experience	(605,038)
Changes in assumptions or other inputs	(206,788)
Benefit payments	<u>(264,946)</u>
Net Changes	<u>(329,756)</u>
Balance at 6/30/2018	<u><u>\$ 7,133,061</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.87 percent in 2018 and actual premium changes from 2017/18 to 2018/19 which caused a reduction in the Town's liabilities.

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 7,824,383	\$ 7,133,061	\$ 6,509,822

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 6,246,846	\$ 7,133,061	\$ 8,185,041

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 21 A, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer defined benefit post-employment medical subsidy healthcare plan designated in statute by membership type. The four membership groups are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

1 Person -	\$375.56
2 Person -	\$751.12
1 Person Medicare Supplement -	\$236.84
2 person Medicare Supplement -	\$473.68

Contributions

Town makes annual contributions to NHRS for the medical subsidy equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 0.09% to 4.10% of covered compensation.

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of June 30, 2016 (rolled forward to June 30, 2017). The actuarial valuation used the following actuarial assumptions:

Price inflation	2.5% per year
Wage inflation	3.25% per year
Salary increases	5.6% average, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is

one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 3,031,803	\$ 2,785,822	\$ 2,572,698

C. Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the Town's OPEB plan liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy plan liability and related deferred outflows/inflows at June 30, 2018:

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Town OPEB Plan	\$ 7,133,061	\$ -	\$ 4,178,107
Proportionate share of NHRS Medical Subsidy Plan	<u>2,785,822</u>	<u>91,283</u>	<u>19,561</u>
Total	<u>\$ 9,918,883</u>	<u>\$ 91,283</u>	<u>\$ 4,197,668</u>

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$67,577. At June 30, 2018, the Town reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ -	\$ 10,770
Difference between expected and actual experience	-	3,729,925
Net difference between projected and actual OPEB investment earnings	-	8,791
Change in assumptions	-	448,182
Contributions subsequent to measurement date	<u>91,283</u>	<u>-</u>
Total	<u>\$ 91,283</u>	<u>\$ 4,197,668</u>

The \$91,283 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

<u>Year Ended June 30:</u>		
2019	\$	684,329
2020		684,329
2021		684,329
2022		684,330
2023		679,439
Thereafter		<u>780,912</u>
Total	\$	<u><u>4,197,668</u></u>

22. Commitments and Contingencies

Exit 4A – In January 2016 the Town entered into an agreement with the State to incorporate the in-progress construction of Exit 4A off Interstate 93 into the 10-year State Highway Plan. The Town has a total commitment of \$5 million for this construction. The Town has expended approximately \$2.9 million toward this project and expects that the balance of \$2.1 million will be expended before the end of fiscal year 2021. Bonds covering the remaining expenditure balance are anticipated to be issued in December, 2018.

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

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

Abatements – In addition to the Town's estimated tax refunds payable, there are certain other cases pending before the BTLA and Superior Court in New Hampshire in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable.

23. Beginning Net Position Restatement

The Town's beginning net position has been restated from the previous fiscal year to due to implementation of GASB 75 NHRS subsidy and a sewer project that was previously omitted from the Town's capital assets on the Statement of Net Position. Accordingly, the following reconciliation is provided:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ 42,793,899
Restate for GASB 75 NHRS subsidy	(2,985,382)
Restate for infrastructure fixed assets	<u>1,308,325</u>
As restated	<u><u>\$ 41,116,842</u></u>

TOWN OF LONDONDERRY, NEW HAMPSHIRE

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.72%	\$35,505,975	\$ 14,309,916	248.12%	62.66%
June 30, 2017	June 30, 2016	0.72%	\$38,506,601	\$ 13,693,056	281.21%	58.30%
June 30, 2016	June 30, 2015	0.73%	\$38,506,601	\$ 13,298,078	289.57%	65.47%
June 30, 2015	June 30, 2014	0.73%	\$28,310,207	\$ 13,332,262	212.34%	66.32%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF LONDONDERRY, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 2,644,855	\$ 2,644,855	\$ -	\$ 14,309,916	18.48%
June 30, 2017	June 30, 2016	\$ 2,592,978	\$ 2,592,978	\$ -	\$ 13,693,056	18.94%
June 30, 2016	June 30, 2015	\$ 2,538,386	\$ 2,538,386	\$ -	\$ 13,298,078	19.09%
June 30, 2015	June 30, 2014	\$ 2,446,857	\$ 2,446,857	\$ -	\$ 13,332,262	18.35%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (GASB 75)
JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2018	June 30, 2017	0.61%	\$2,785,822	\$ 14,309,916	19.47%	7.91%
June 30, 2017	June 30, 2016	0.62%	\$2,985,382	\$ 13,693,056	21.80%	5.21%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TOWN OF LONDONDERRY, NEW HAMPSHIRE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Changes in the Total OPEB Liability and Contributions (GASB 75)

(Unaudited)

Changes in Total OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 469,307	\$ 760,208
Interest on unfunded liability - time value of money	277,709	321,717
Differences between expected and actual experience	(605,038)	(4,107,331)
Changes of assumptions	(206,788)	(342,961)
Benefit payments, including refunds of member contributions	<u>(264,946)</u>	<u>(370,327)</u>
Net change in total OPEB liability	(329,756)	(3,738,694)
Total OPEB liability - beginning	<u>7,462,817</u>	<u>11,201,511</u>
Total OPEB liability - ending	<u>\$ 7,133,061</u>	<u>\$ 7,462,817</u>
 Covered employee payroll	 \$ 11,407,455	 \$ 11,048,383
 Net OPEB liability as percentage of covered payroll	 62.50%	 67.55%

The RSI excludes the New Hampshire Retirement System Medical Subsidy cost-sharing plan.

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 264,946	\$ 370,327
Contributions in relation to the actuarially determined contribution	<u>264,946</u>	<u>370,327</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 11,407,455	 \$ 11,048,383
 Contributions as a percentage of covered employee payroll	 2.32%	 3.35%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.