



TOWN OF LONDONDERRY, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

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, 2019, 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.

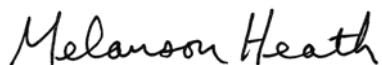
Opinions

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, 2019, 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 certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Melanson Heath".

December 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Londonderry, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town of Londonderry for the fiscal year ended June 30, 2019.

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 \$41,205,489 (i.e., net position), a change of (\$926,679) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,629,861, a change of (\$2,090,022) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,652,290, a change of (\$3,773) 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>	
	Governmental	
	<u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 69,237	\$ 69,049
Capital assets	<u>86,138</u>	<u>76,299</u>
Total assets	155,375	145,348
Deferred outflows of resources	<u>7,115</u>	<u>7,108</u>
Total assets and deferred outflows	<u>\$ 162,490</u>	<u>\$ 152,456</u>
Current liabilities	\$ 7,361	\$ 12,204
Noncurrent liabilities	<u>66,167</u>	<u>57,463</u>
Total liabilities	73,528	69,667
Deferred inflows of resources	47,756	40,657
Net investment in capital assets	71,003	67,024
Restricted	3,614	8,127
Unrestricted	<u>(33,411)</u>	<u>(33,019)</u>
Total net position	<u>41,206</u>	<u>42,132</u>
Total liabilities, deferred inflows and net position	<u>\$ 162,490</u>	<u>\$ 152,456</u>

	<u>CHANGES IN NET POSITION</u>	
	Governmental	
	<u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 8,078	\$ 9,370
Operating grants and contributions	1,160	1,497
General revenues:		
Property taxes	18,619	18,103
Interest, penalties and other taxes	1,008	1,144
Motor vehicle registrations	9,251	8,506
Grants and contributions not restricted to specific programs	1,315	1,326
Investment income	1,012	328
Other	<u>598</u>	<u>77</u>
Total revenues	41,041	40,351

(continued)

(continued)

<u>CHANGES IN NET POSITION</u>		
Governmental		
<u>Activities</u>		
	<u>2019</u>	<u>2018</u>
Expenses		
General government	4,467	4,746
Public safety	23,013	21,108
Highways and streets	6,920	5,857
Sanitation	4,420	4,576
Health and welfare	111	120
Culture and recreation	2,092	2,185
Conservation	45	10
Economic development	413	416
Interest	486	318
Total expenses	<u>41,967</u>	<u>39,336</u>
Change in net position	(926)	1,015
Net position - beginning of year	<u>42,132</u>	<u>41,117</u>
Net position - end of year	<u>\$ 41,206</u>	<u>\$ 42,132</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$41,205,489, a change of \$(926,679) in comparison to the prior year.

The largest portion of net position, \$71,002,721, 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, \$3,613,561, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of (\$33,410,793) primarily resulting from unfunded pension and OPEB liabilities.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(926,679). Key elements of this change are as follows:

General fund operations, other than transfers	\$ 1,195,374
Depreciation expense in excess of debt principal payments	(881,698)
Increase in net pension and OPEB liabilities, and related deferrals	(1,049,646)
Other	<u>(190,709)</u>
Total	<u>\$ (926,679)</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 \$21,629,861, a change of (\$2,090,022) in comparison to the prior year. The sewer fund had excess expenditures over revenues of (\$4,660,025) due to \$5,181,575 in one time capital costs funded by charges for services and \$1,917,366 of prior year surplus. Nonmajor governmental funds had excess revenues over expenditures of \$1,053,831, which included the Conservation fund expenditures over revenues in of (\$627,047), excess of bond issuance over capital expenditures due to timing of \$1,482,011, and favorable investment earnings of \$121,963.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,652,290, while total fund balance was \$11,312,265. Positive budgetary results (further described below) generated the increase in our total fund balance. Our unassigned fund balance, however, was essentially unchanged from the prior year as the bond premium we received is restricted for future debt service; and our March 2019 Town Meeting voted to use prior unassigned fund balance for various projected (see Note 18) consequently reclassifying the monies from Unassigned to Committed Fund Balance.

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, 2019, 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Gross Appropriations</u>
Unassigned fund balance	\$ 5,652,290	\$ 5,656,063	\$ (3,773)	16.8%
Total fund balance ¹	\$ 11,312,265	\$ 9,796,093	\$ 1,516,172	33.6%

¹Includes capital reserve and expendable trust funds.

The total fund balance of the general fund changed by \$1,516,172 during the current fiscal year. The primary underlying reasons for this change in fund balance are as follows:

Use of fund balance:	
For transfers to Capital Reserve Funds	\$ (709,000)
For the Town Common drainage improvements	(235,000)
For the Recreation Maintenance building construction	(189,900)
For the assessment update	(100,000)
Revenues in excess of budget	1,803,213 *
Expenditures less than budget	590,857 *
Excess of prior year encumbrances over current year	(968,472)
Transfers in excess of budget	313,448
Premium in excess of budget	568,117
Capital reserve fund changes	<u>442,909</u>
Total	<u><u>\$ 1,516,172</u></u>

* See Section E below for additional information regarding these changes

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
Roadway maintenance	\$ 739,987	\$ 337,454	\$ 402,533
Fire equipment	268,592	108,452	160,140
Cable equipment	206,290	189,259	17,031
Other	<u>526,593</u>	<u>663,388</u>	<u>(136,795)</u>
Total	<u><u>\$ 1,741,462</u></u>	<u><u>\$ 1,298,553</u></u>	<u><u>\$ 442,909</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget result from special warrant article appropriations 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 General Government expenditures pertain to the closing of the Town's TIF (Tax Increment Financing) district. In Fiscal Year 2019 the Town paid the remaining balance of expenditures that were anticipated to be paid in Fiscal Year 2018. Approximately \$640,000 remained both uncollected and unspent in Fiscal Year 2018 and as a result, were spent in the Fiscal Year 2019

- Licenses and permits revenue was over budget by \$1,311,882. This was primarily due to an increase in motor vehicle registration fees and building permits.
- Investment and miscellaneous revenues were over budget by \$574,080 due to favorable interest rates on town investments, and various rebates the town received.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$86,138,421 (net of accumulated depreciation), a change of \$9,839,044 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 \$16,649,071, all of which was backed by the full faith and credit of the government. In addition, the Town has outstanding capital leases totaling \$3,210,449, 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 33-34 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 U.S. Census numbers for 2018, Londonderry was still one of the fastest growing communities in New Hampshire. The one-billion-dollar Woodmont Commons mixed-use development has two buildings now open: a brewery and beer hall and a four-story, mixed-use building featuring retail shops as well as apartments. In addition, the Planning Board approved a 290-unit 55+ high-end life center that is set to begin construction in the spring of 2019. Also, in the area of Exit 4, the new Convenient MD and Citizens Bank development is under construction. The Apple Tree Mall has seen a number of new tenants since undergoing millions of dollars in renovations and well as bringing sewer to the plaza. In the area of Pettengill Road and Exit 5, Northeast Poultry Products broke ground on their new 150k sq. ft. facility last summer, while Bellavance Beverage has been approved for a 160k sq. ft. distribution facility in the corner of Webb Drive. New residential construction also continues to be strong with the second and third phases of a new 55+ development

currently being built, additional workforce housing as part of Wallace Farm is under construction by exit 5, as well as a new affordable senior housing development is set to open this winter.

For the upcoming fiscal year, the taxpayers approved at the Annual Budgetary Town Meeting a combined \$35,064,923 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 2018 and 2019, the Town added \$704,312,644 to its total assessed valuation, as a result of the closing of the Tax Incremental Financing District, and the Town-wide revaluation.

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, 2019

	Governmental <u>Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 57,935,306
Investments	1,211,147
Receivables, net of allowance for uncollectibles:	
Property taxes	8,927,986
User fees	557,717
Departmental and other	547,896
Property held for resale	22,014
Prepaid items	<u>34,295</u>
Total current assets	69,236,361
Noncurrent:	
Capital assets:	
Land and construction in progress	23,513,279
Other capital assets, net of accumulated depreciation	<u>62,625,142</u>
Total non-current assets	86,138,421
Deferred Outflows of Resources	
Related to pensions	5,745,827
Related to OPEB	<u>1,369,188</u>
Total deferred outflows of resources	<u>7,115,015</u>
Total Assets and Deferred Outflows of Resources	162,489,797
Liabilities	
Current:	
Accounts payable	2,071,615
Accrued liabilities	556,812
Tax refunds payable	1,200,000
Other liabilities	568,535
Unearned revenue	77,344
Current portion of long-term liabilities:	
Capital leases	621,995
Bonds payable	2,010,800
Compensated absences	234,422
Landfill post-closure	<u>19,323</u>
Total current liabilities	7,360,846
Noncurrent:	
Capital leases, net of current portion	2,588,454
Bonds payable, net of current portion	14,638,271
Compensated absences, net of current portion	1,700,074
Landfill post-closure, net of current portion	97,491
Net pension liability	34,674,750
Net OPEB liability	<u>12,468,350</u>
Total non-current liabilities	66,167,390
Deferred Inflows of Resources	
Related to pensions	1,572,317
Related to OPEB	3,549,019
Taxes collected in advance	<u>42,634,736</u>
Total deferred inflows of resources	<u>47,756,072</u>
Total Liabilities and Deferred Inflows of Resources	121,284,308
Net Position	
Net investment in capital assets	71,002,721
Restricted externally or constitutionally for:	
Permanent funds:	
Nonexpendable	1,031,601
Expendable	279,611
Restricted by enabling legislation	2,302,349
Unrestricted	<u>(33,410,793)</u>
Total Net Position	<u>\$ 41,205,489</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, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General government	\$ 4,466,779	\$ 127,774	\$ -	\$ -	\$ (4,339,005)
Public safety	23,013,540	4,675,238	-	-	(18,338,302)
Highways and streets	6,920,153	-	623,470	-	(6,296,683)
Sanitation	4,419,637	2,731,789	118,501	-	(1,569,347)
Health and welfare	110,694	-	-	-	(110,694)
Culture and recreation	2,091,917	543,641	417,811	-	(1,130,465)
Conservation	44,769	-	-	-	(44,769)
Economic development	413,389	-	-	-	(413,389)
Interest	486,076	-	-	-	(486,076)
Total Governmental Activities	<u>\$ 41,966,954</u>	<u>\$ 8,078,442</u>	<u>\$ 1,159,782</u>	<u>\$ -</u>	(32,728,730)
General Revenues					
					18,619,322
					1,007,467
					9,251,032
					1,315,387
					1,011,392
					597,451
Total general revenues					<u>31,802,051</u>
Change in net position					(926,679)
Net Position					
Beginning of year					<u>42,132,168</u>
End of year					<u>\$ 41,205,489</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 55,682,725	\$ -	\$ 2,252,581	\$ 57,935,306
Investments	-	-	1,211,147	1,211,147
Receivables, net of allowance for uncollectibles:				
Property taxes	8,913,986	-	14,000	8,927,986
User fees	518,761	38,957	-	557,718
Other	45,330	-	502,567	547,897
Due from other funds	441,983	2,391,049	5,518,767	8,351,799
Prepaid items	34,294	-	-	34,294
Property held for resale	22,014	-	-	22,014
Total Assets	\$ <u>65,659,093</u>	\$ <u>2,430,006</u>	\$ <u>9,499,062</u>	\$ <u>77,588,161</u>
Liabilities				
Accounts payable	\$ 902,129	\$ 215,016	\$ 954,473	\$ 2,071,618
Accrued liabilities	493,553	-	-	493,553
Tax refunds payable	1,200,000	-	-	1,200,000
Due to other funds	7,909,816	-	441,983	8,351,799
Other liabilities	568,535	-	-	568,535
Total Liabilities	11,074,033	215,016	1,396,456	12,685,505
Deferred Inflows of Resources				
Taxes collected in advance	42,634,736	-	-	42,634,736
Unavailable revenues	638,059	-	-	638,059
Total Deferred Inflows of Resources	43,272,795	-	-	43,272,795
Fund Balances				
Nonspendable	56,309	-	1,031,601	1,087,910
Restricted	568,117	2,214,990	4,461,702	7,244,809
Committed	3,531,962	-	2,621,707	6,153,669
Assigned	1,503,587	-	-	1,503,587
Unassigned	5,652,290	-	(12,404)	5,639,886
Total Fund Balances	11,312,265	2,214,990	8,102,606	21,629,861
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>65,659,093</u>	\$ <u>2,430,006</u>	\$ <u>9,499,062</u>	\$ <u>77,588,161</u>

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, 2019

Total governmental fund balances	\$ 21,629,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	86,138,421
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	560,715
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, 2020 through June 30, 2023.	5,745,827
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, 2020 through June 30, 2024.	1,369,188
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, 2020 through June 30, 2023.	(1,572,317)
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, 2020 through June 30, 2024.	(3,549,019)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(297,679)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital leases	(3,210,449)
Bonds payable	(16,649,071)
Compensated absences	(1,700,074)
Landfill liability	(116,814)
Net pension liability	(34,674,750)
Net OPEB liability	(12,468,350)
Net position of governmental activities	\$ 41,205,489

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, 2019

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 18,676,769	\$ -	\$ -	\$ 18,676,769
Interest, penalties and other taxes	908,851	-	179,755	1,088,606
Licenses and permits	9,861,632	-	-	9,861,632
Intergovernmental	1,976,214	-	-	1,976,214
Charges for services	1,863,985	2,559,509	3,039,167	7,462,661
Investment income	844,667	-	166,729	1,011,396
Other revenues	<u>377,497</u>	<u>-</u>	<u>72,829</u>	<u>450,326</u>
Total Revenues	34,509,615	2,559,509	3,458,480	40,527,604
Expenditures				
General government	4,331,960	-	1,691	4,333,651
Public safety	18,800,992	-	2,959,378	21,760,370
Highways and streets	4,810,314	-	757,059	5,567,373
Sanitation	1,875,834	1,817,959	2,676	3,696,469
Health and welfare	110,281	-	413	110,694
Culture and recreation	1,904,296	-	58,683	1,962,979
Conservation	3,343	-	41,426	44,769
Economic development	407,985	-	-	407,985
Capital outlay	928,591	5,181,575	6,974,525	13,084,691
Debt service	<u>1,927,858</u>	<u>-</u>	<u>-</u>	<u>1,927,858</u>
Total Expenditures	<u>35,101,454</u>	<u>6,999,534</u>	<u>10,795,851</u>	<u>52,896,839</u>
Excess (deficiency) of revenues over (under) expenditures	(591,839)	(4,440,025)	(7,337,371)	(12,369,235)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	8,490,000	8,490,000
Issuance of capital lease	1,219,096	-	-	1,219,096
Bond premium	568,117	-	2,000	570,117
Transfers in	330,948	-	10,150	341,098
Transfers out	<u>(10,150)</u>	<u>(220,000)</u>	<u>(110,948)</u>	<u>(341,098)</u>
Total Other Financing Sources (Uses)	<u>2,108,011</u>	<u>(220,000)</u>	<u>8,391,202</u>	<u>10,279,213</u>
Net changes in fund balances	1,516,172	(4,660,025)	1,053,831	(2,090,022)
Fund Balances, beginning of year	<u>9,796,093</u>	<u>6,875,015</u>	<u>7,048,775</u>	<u>23,719,883</u>
Fund Balances, end of year	<u>\$ 11,312,265</u>	<u>\$ 2,214,990</u>	<u>\$ 8,102,606</u>	<u>\$ 21,629,861</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, 2019

Net changes in fund balances - total governmental funds \$ (2,090,022)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	13,086,230
Depreciation	(3,247,185)

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. (57,449)

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. 2,365,487

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:

Issuance of bonds	(8,490,000)
Issuance of capital leases	(1,219,096)

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (169,018)

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:

Net pension liability	831,225
Pension related deferred inflows and outflows	(1,257,958)
Net OPEB liability	(2,549,467)
OPEB related deferred inflows and outflows	1,926,554

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.

Compensated absences	(74,113)
Landfill post-closure liability	18,133

Change in net position of governmental activities \$ (926,679)

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 18,946,478	\$ 18,946,478	\$ 18,676,769	\$ (269,709)
Interest, penalties, and other taxes	871,129	871,129	908,851	37,722
Licenses and permits	8,549,750	8,549,750	9,861,632	1,311,882
Intergovernmental	2,005,581	2,005,581	1,976,214	(29,367)
Charges for services	1,685,380	1,685,380	1,863,985	178,605
Investment income	475,000	475,000	844,667	369,667
Other revenues	<u>103,000</u>	<u>103,000</u>	<u>307,413</u>	<u>204,413</u>
Total Revenues	32,636,318	32,636,318	34,439,531	1,803,213
Expenditures				
General government	3,706,858	3,731,858	3,754,605	(22,747)
Public safety	17,965,597	17,965,597	17,599,081	366,516
Highways and streets	3,831,635	3,831,635	3,793,330	38,305
Sanitation	1,715,758	1,950,758	1,916,368	34,390
Health	382,917	382,917	362,045	20,872
Welfare	78,000	78,000	63,434	14,566
Culture and recreation	1,712,218	1,712,218	1,649,929	62,289
Conservation	3,350	3,350	3,343	7
Economic development	459,425	459,425	407,985	51,440
Capital outlay	1,514,900	1,514,900	1,460,883	54,017
Debt service	<u>1,899,060</u>	<u>1,899,060</u>	<u>1,927,858</u>	<u>(28,798)</u>
Total Expenditures	<u>33,269,718</u>	<u>33,529,718</u>	<u>32,938,861</u>	<u>590,857</u>
Excess (Deficiency) of revenue over expenditures	(633,400)	(893,400)	1,500,670	2,394,070
Other Financing Sources and Uses				
Transfers in	17,500	17,500	330,948	313,448
Transfers out	(358,000)	(358,000)	(358,000)	-
Bond premium	-	-	568,117	568,117
Use of fund balance:				
Capital articles	289,900	524,900	-	(524,900)
Transfers to Capital Reserve Funds	<u>684,000</u>	<u>709,000</u>	<u>-</u>	<u>(709,000)</u>
Total Other Financing Sources (Uses)	<u>633,400</u>	<u>893,400</u>	<u>541,065</u>	<u>(352,335)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,041,735</u>	\$ <u>2,041,735</u>

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, 2019

	Agency Funds
Assets	
Cash and short term investments	\$ 1,391,064
Total Assets	\$ 1,391,064
Liabilities	
Escrow deposits	\$ 925,724
School funds	465,340
Total Liabilities	\$ 1,391,064

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2019

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 2019, 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.

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.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 34,509,615	\$ 35,101,454
Other financing sources/uses (GAAP basis)	<u>2,118,161</u>	<u>10,150</u>
Subtotal (GAAP Basis)	36,627,776	35,111,604
Subtract expenditures of prior year appropriation carryforwards	-	(1,854,976)
Add end-of-year appropriation carryforwards to expenditures	-	890,954
Reverse effect of combining general fund and capital reserve funds (GASB 54)	(70,084)	372,825
To remove gross up for issuance of capital leases	(1,219,096)	(1,219,096)
Reverse nonbudgeted activity	<u>-</u>	<u>(4,450)</u>
Budgetary basis	\$ <u><u>35,338,596</u></u>	\$ <u><u>33,296,861</u></u>

D. Deficit Fund Equity

The deficit in the Police Airport fund (included in nonmajor governmental funds) as of June 30, 2019 of \$(12,404) will be eliminated through collection of revenues.

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, 2019, none of the Town's bank balance of \$59,420,454 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, \$1,205,776 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, 2019, the Trustee's short-term cash and investment balance of \$117,565 was not required to be collateralized because they are held in the trust department of the bank and are not assets of the bank in deposit accounts.

4. Investments

The following is a summary of the Town's investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 11,370
Corporate bonds	158,333
Corporate equities	786,577
Federal agency securities	243,899
U.S. Treasury notes	10,968
Total investments	<u>\$ 1,211,147</u>

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.

All federal agency securities have an implied rating of AAA. The average Moody’s rating for the corporate bonds in which the Town has invested is A2.

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, 2019, the Town’s investment balance of \$1,211,147 was not required to be collateralized because they are held in the trust department of the bank and are not an asset of the bank in deposit accounts.

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 one fund that represents more than 5% of the total investments. The following represents the Town’s investment and its respective concentration:

<u>Investment Issuer</u>	<u>Amount</u>	% of Total <u>Investments</u>
Federated Money Market Governmental Obligations	\$ <u>81,700</u>	6.7%
Total	\$ <u><u>81,700</u></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 formal investment policies limiting 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):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>1-5</u>	<u>6-10</u>
Debt-related Securities:			
Federal agency securities	\$ 254,868	\$ 174,955	\$ 79,913
Corporate bonds	<u>158,333</u>	<u>105,879</u>	<u>52,454</u>
Total	<u>\$ 413,201</u>	<u>\$ 280,834</u>	<u>\$ 132,367</u>

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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.

- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

The Town has the following fair value measurements as of June 30, 2019:

<u>Description</u>		<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Debt securities:				
Federal agency securities	\$ 254,867	\$ -	\$ 254,867	\$ -
Corporate bonds	158,333	-	158,333	-
Equity securities:				
Utilities	51,060	51,060	-	-
Information technology	136,564	136,564	-	-
Real estate	30,690	30,690	-	-
Industrials	88,322	88,322	-	-
Healthcare	112,174	112,174	-	-
Financials	93,622	93,622	-	-
Energy	44,640	44,640	-	-
Consumer staples	63,688	63,688	-	-
Consumer discretionary	81,817	81,817	-	-
All others - combined	84,000	84,000	-	-
Total	\$ <u>1,199,777</u>	\$ <u>786,577</u>	\$ <u>413,200</u>	\$ <u>-</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

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 liened 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, 2019 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	\$ 8,351,233	\$ -	\$ 8,351,233
Yield taxes	2,038	-	2,038
Land use change taxes	14,000	-	14,000
Tax liens	600,797	(79,358)	521,439
Tax deferrals	39,276	-	39,276
Total property taxes	<u>\$ 9,007,344</u>	<u>\$ (79,358)</u>	<u>\$ 8,927,986</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 \$38,957.

The Town also reports \$518,760 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, 2019 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 441,983	\$ 7,909,816
Sewer Fund	2,391,049	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police outside detail	-	68,391
Police airport division	-	343,104
Conservation commission	-	12,988
Grants fund	3,354	-
Reclamation fund	834	-
Other special funds	65,747	-
Capital Project Funds:		
Exit 4A	1,606,630	-
Fire station	3,318,935	-
Emergency Communications Systems Upgrade	523,267	-
Permanent Funds	-	17,500
Subtotal Nonmajor Funds	<u>5,518,767</u>	<u>441,983</u>
Total	<u>\$ 8,351,799</u>	<u>\$ 8,351,799</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	\$ 330,948	\$ 10,150
Sewer Fund	-	220,000
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police airport division	-	93,448
Other special funds	10,150	-
Permanent funds	-	17,500
Subtotal Nonmajor Funds	10,150	110,948
Total	\$ 341,098	\$ 341,098

Of the transfer into the general fund, \$220,000 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, 2019 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and building improvements	\$ 18,864	\$ 3,194	\$ -	\$ 22,058
Machinery, vehicles, and equipment	12,393	367	(201)	12,559
Intangibles	692	-	-	692
Infrastructure	87,206	2,482	-	89,688
Improvements other than buildings	827	132	-	959
Total capital assets, being depreciated	119,982	6,175	(201)	125,956
Less accumulated depreciation for:				
Buildings and building improvements	(5,073)	(571)	-	(5,644)
Machinery, vehicles, and equipment	(9,520)	(900)	201	(10,219)
Intangibles	(592)	(1)	-	(593)
Infrastructure	(44,551)	(1,721)	-	(46,272)
Improvements other than buildings	(548)	(54)	-	(602)
Total accumulated depreciation	(60,284)	(3,247)	201	(63,330)
Total capital assets, being depreciated, net	59,698	2,928	-	62,626
Capital assets, not being depreciated:				
Land and land improvements	14,469	827	-	15,296
Construction in progress	2,132	6,377	(293)	8,216
Total capital assets, not being depreciated	16,601	7,204	(293)	23,512
Governmental activities capital assets, net	\$ 76,299	\$ 10,132	\$ (293)	\$ 86,138

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

Governmental Activities	
General government	\$ 197
Public safety	889
Highways and streets	1,284
Sanitation	740
Culture and recreation	135
Economic development	<u>2</u>
Total governmental activities	\$ <u>3,247</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 or resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represent 2019 expenditures paid after June 30, 2019.

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, 2019.

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 capital leases expiring in various years through 2029. Future minimum lease payments under the capital leases consisted of the following at June 30, 2019:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2020	\$ 687,828
2021	668,290
2022	503,337
2023	384,093
2024	384,093
2025 - 2029	<u>894,249</u>
Total minimum lease payments	3,521,890
Less amounts representing interest	<u>(311,441)</u>
Present Value of Minimum Lease Payments	<u>\$ 3,210,449</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>Governmental Activities</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>6/30/19</u>
Roadway improvements	07/15/19	2.43%	\$ 100,000
Roadway improvements	12/01/20	2.38%	200,000
Roadway improvements	07/15/21	2.48%	300,000
Mammoth Road sewer	11/01/21	4.39%	360,000
Multi-purpose bond	07/01/23	3.83%	3,400,000
Refunding bonds	08/15/26	2.00%	1,725,000
Exit 4A (2016)	03/01/26	3.49%	824,071
Exit 4A (2018)	10/01/29	2.35%	1,250,000
Exit 4A (2019)	01/15/39	3.06%	2,090,000
Central Fire Station	01/15/39	3.06%	<u>6,400,000</u>
Total Governmental Activities			<u>\$ 16,649,071</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,010,800	\$ 628,523	\$ 2,639,323
2021	1,905,800	539,521	2,445,321
2022	1,800,800	466,055	2,266,855
2023	1,555,800	399,273	1,955,073
2024	1,550,800	215,562	1,766,362
2025 - 2039	<u>7,825,071</u>	<u>1,876,983</u>	<u>9,702,054</u>
Total	<u>\$ 16,649,071</u>	<u>\$ 4,125,917</u>	<u>\$ 20,774,988</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, 2019 are as follows:

<u>Purpose</u>	<u>Amount</u>
Mammoth Road Sewer	\$ 225,000
Auburn Road Water Line	49,600
Auburn Road Landfill Site	<u>900,000</u>
Total Unissued Bond Authorizations	<u>\$ 1,174,600</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
Governmental Activities	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Capital leases	\$ 2,746	\$ 1,219	(755)	\$ 3,210	\$ (622)	\$ 2,588
Bonds payable	9,770	8,490	(1,611)	16,649	(2,011)	14,638
Other:						
Compensated absences	1,860	1,061	(987)	1,934	(234)	1,700
Landfill post-closure	135	-	(19)	116	(19)	97
Net pension liability	35,506	-	(831)	34,675	-	34,675
Total/net OPEB liability	<u>9,919</u>	<u>2,549</u>	<u>-</u>	<u>12,468</u>	<u>-</u>	<u>12,468</u>
Totals	<u>\$ 59,936</u>	<u>\$ 13,319</u>	<u>\$ (4,203)</u>	<u>\$ 69,052</u>	<u>\$ (2,886)</u>	<u>\$ 66,166</u>

16. Landfill Postclosure Care 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 thirty years after closure. The \$116,814 reported as landfill postclosure care liability at June 30, 2019 represents the remaining estimated postclosure maintenance costs. This amount is based on what it would cost to perform all post-closure care in 2019. 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 are 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, 2019:

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 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, 2019:

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid and held for resale	\$ 56,309	\$ -	\$ -	\$ 56,309
Nonexpendable permanent funds	-	-	1,031,601	1,031,601
Total Nonspendable	56,309	-	1,031,601	1,087,910
Restricted				
Debt service	568,117	-	-	568,117
Special revenue funds:				
Sewer fund	-	2,214,990	-	2,214,990
Leach Library	-	-	87,359	87,359
Other special funds	-	-	66,601	66,601
Capital project funds:				
Exit 4A	-	-	1,446,379	1,446,379
Fire Station	-	-	2,581,752	2,581,752
Expendable permanent funds	-	-	279,611	279,611
Total Restricted	568,117	2,214,990	4,461,702	7,244,809
Committed				
Subsequent year appropriations:				
Roadway maintenance trust	162,500	-	-	162,500
Fire dept equipment	37,500	-	-	37,500
Geographic Information Systems	7,000	-	-	7,000
Expendable maintenance trust	45,000	-	-	45,000
Pillsbury cemetery	25,000	-	-	25,000
Cemeteries	10,000	-	-	10,000
Police department generator	175,000	-	-	175,000
Town Common drainage improvements	235,000	-	-	235,000
School building improvements	378,500	-	-	378,500
300th Anniversary celebration	25,000	-	-	25,000
Assessing software	60,000	-	-	60,000
Rail trail phases 5 & 6	600,000	-	-	600,000
Town grange repairs	30,000	-	-	30,000
Capital reserves:				
Fire department	42,849	-	-	42,849
Cemetery land	33,392	-	-	33,392
Highway heavy equipment	70,632	-	-	70,632
Geographic information system	62,924	-	-	62,924
Pillsbury cemetery	133,469	-	-	133,469
Fire department equipment	268,592	-	-	268,592
Cable division equipment	206,290	-	-	206,290
ECO park	32,221	-	-	32,221
Master plan	641	-	-	641
Maintenance reserve	150,464	-	-	150,464
Roadway maintenance	739,988	-	-	739,988
Special revenue funds:				
Police outside detail	-	-	103,476	103,476
Conservation	-	-	1,666,421	1,666,421
Reclamation fund	-	-	383,082	383,082
Capital project funds:				
Emergency communications systems upgrade	-	-	468,728	468,728
Total Committed	3,531,962	-	2,621,707	6,153,669
Assigned				
Budgetary encumbrances	1,503,587	-	-	1,503,587
Total Assigned	1,503,587	-	-	1,503,587
Unassigned	5,652,290	-	(12,404)	5,639,886
Total Fund Balances	\$ 11,312,265	\$ 2,214,990	\$ 8,102,606	\$ 21,629,861

19. 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, 2019 was \$3,093,138, 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, 2019, the Town reported a liability of \$34,674,750 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the Town's proportion was 0.72% percent, which is the same as the previous year proportion.

For the year ended June 30, 2019, the Town recognized pension expense of \$3,168,325. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 276,767	\$ 280,763
Changes of assumptions	2,399,664	-
Net difference between projected and actual earnings on pension plan investments	-	802,404
Changes in proportion and differences between contributions and proportionate share of contributions	-	489,150
Contributions subsequent to the measurement date	<u>3,069,396</u>	<u>-</u>
Total	<u>\$ 5,745,827</u>	<u>\$ 1,572,317</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 1,122,225
2021	866,805
2022	(738,821)
2023	<u>(146,095)</u>
Total	<u>\$ 1,104,114</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2017 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, 2017 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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total Domestic Equity	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.00%
Total International Equity	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	7.00	1.14%
Total Fixed Income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.25%
Opportunistic	5.00	2.15%
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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 46,135,039	\$ 34,674,750	\$ 25,070,678

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.

20. 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

The Town's OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

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, 2019, 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>190</u>

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary increases	3.25% for general wage inflation plus merit and productivity increases
Discount rate	3.51%
Healthcare cost trend rates	8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%

The discount rate was based on the 20-year tax-exempt general obligation municipal bond indices at June 30, 2019.

Mortality rates were based on RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-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 3.51%. 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.

Changes in the Total OPEB Liability

The following summarizes the changes to the total OPEB liability for the past year:

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019, updated mortality tables, and a change in health care trend rates.

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:

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 9,052,100	\$ 8,255,065	\$ 7,535,648

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:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 7,279,824	\$ 8,255,065	\$ 9,411,524

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

For the year ended June 30, 2019, the Town recognized an OPEB expense of \$127,066. At June 30, 2019, the Town reported deferred outflows and (inflows) related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ 599,854	\$ (3,120,875)
Change in assumptions	<u>-</u>	<u>(414,757)</u>
Total	<u>\$ 599,854</u>	<u>\$ (3,535,632)</u>

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

Year Ended June 30:

2020	\$ (599,026)
2021	(599,026)
2022	(599,026)
2023	(599,026)
2024	(599,026)
Thereafter	<u>59,352</u>
Total	<u>\$ (2,935,778)</u>

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 20 A, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer, defined benefit postemployment 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.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, New Hampshire 03301-8507 or from their website at <http://www.nhrs.org>

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

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.30% of gross payroll for Group I employees, 1.66% of gross payroll for Group I teachers, and 4.10% of gross payroll for Group II fire and police department members.

Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2019 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018). The actuarial valuation used the following actuarial assumptions:

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	5.60%
Investment rate of return	7.25%
Discount rate	7.25%

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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2018 was \$4,213,285, representing 0.92%.

For the year ended June 30, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$1,500,995. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 441,989	\$ -
Difference between expected and actual experience	24,731	-
Changes in proportion	302,614	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(13,387)</u>
Total	<u>\$ 769,334</u>	<u>\$ (13,387)</u>

The amount 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, 2020.

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

<u>Year Ended June 30:</u>	
2020	\$ (78,490)
2021	(78,490)
2022	(78,490)
2023	<u>(78,490)</u>
Total	<u>\$ (313,960)</u>

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%</u>	<u>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
\$ 4,385,205	\$ 4,213,285	\$ 3,731,705

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

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, 2019:

	<u>Total/Net</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>OPEB</u>	<u>Deferred</u>	<u>Deferred</u>	<u>OPEB</u>
	<u>Liability</u>	<u>Outflows of</u>	<u>(Inflows) of</u>	<u>Expense</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	
Town OPEB Plan	\$ 8,255,065	\$ 599,854	\$ (3,535,632)	\$ 127,066
Proportionate share of				
NHRS Medical Subsidy Plan	<u>4,213,285</u>	<u>769,334</u>	<u>(13,387)</u>	<u>1,500,995</u>
Total	<u>\$ 12,468,350</u>	<u>\$ 1,369,188</u>	<u>\$ (3,549,019)</u>	<u>\$ 1,628,061</u>

21. 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 \$3.4 million toward this project and expects that the balance of \$1.6 million will be expended before the end of fiscal year 2021.

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.

Encumbrances – At year-end the Town’s general fund has \$1,503,587 in encumbrances that will be honored in the next fiscal year.

22. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF LONDONDERRY, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019
(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, 2019	June 30, 2018	0.72%	\$34,674,750	\$ 14,309,916	242.31%	64.73%
June 30, 2018	June 30, 2017	0.72%	\$35,505,975	\$ 13,693,056	259.30%	62.66%
June 30, 2017	June 30, 2016	0.72%	\$38,506,601	\$ 13,298,078	289.57%	58.30%
June 30, 2016	June 30, 2015	0.73%	\$38,506,601	\$ 13,332,262	288.82%	65.47%
June 30, 2015	June 30, 2014	0.73%	\$28,310,207	\$ 13,333,262	212.33%	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(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, 2019	June 30, 2018	\$ 3,093,138	\$ 3,093,138	\$ -	\$ 14,565,823	21.24%
June 30, 2018	June 30, 2017	\$ 3,043,600	\$ 3,043,600	\$ -	\$ 14,309,916	21.27%
June 30, 2017	June 30, 2016	\$ 2,644,855	\$ 2,644,855	\$ -	\$ 13,693,056	19.32%
June 30, 2016	June 30, 2015	\$ 2,592,978	\$ 2,592,978	\$ -	\$ 13,298,078	19.50%
June 30, 2015	June 30, 2014	\$ 2,538,386	\$ 2,538,386	\$ -	\$ 13,332,262	19.04%

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE AND CONTRIBUTIONS OF THE NET OPEB LIABILITY (GASB 75)

JUNE 30, 2019
(Unaudited)

Schedule of Proportionate Share

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, 2019	June 30, 2018	0.92%	\$4,213,285	\$ 14,309,916	29.44%	7.53%
June 30, 2018	June 30, 2017	0.61%	\$2,785,822	\$ 13,693,056	20.34%	7.91%
June 30, 2017	June 30, 2016	0.62%	\$2,985,382	\$ 13,298,078	22.45%	5.21%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$407,050	\$407,050	\$ -	\$ 14,565,823	2.79%
June 30, 2018	June 30, 2017	\$361,119	\$361,119	\$ -	\$ 14,309,916	2.52%

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)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY (GASB 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 437,840	\$ 469,307	\$ 760,208
Interest on unfunded liability - time value of money	288,252	277,709	321,717
Differences between expected and actual experience	685,548	(605,038)	(4,107,331)
Changes of assumptions	(42,245)	(206,788)	(342,961)
Benefit payments, including refunds of member contributions	<u>(247,391)</u>	<u>(264,946)</u>	<u>(370,327)</u>
Net change in total OPEB liability	1,122,004	(329,756)	(3,738,694)
Total OPEB liability - beginning	<u>7,133,061</u>	<u>7,462,817</u>	<u>11,201,511</u>
Total OPEB liability - ending	<u>\$ 8,255,065</u>	<u>\$ 7,133,061</u>	<u>\$ 7,462,817</u>

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

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.