



TOWN OF LONDONDERRY, NEW HAMPSHIRE

Independent Auditors' Reports Pursuant
to Government Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2020

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Londonderry, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Londonderry, New Hampshire (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

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combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Merrimack, New Hampshire
October 27, 2020



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Londonderry, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of Londonderry, New Hampshire's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town's major federal programs for the year ended June 30, 2020. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

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Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not



identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated October 27, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Merrimack, New Hampshire
February 16, 2021

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency

Cluster Pass-through Agency Program Title	Federal CFDA <u>Number</u>	Pass Through Identifying <u>Number</u>	Federal <u>Expenditures</u>
U.S. Department of Justice			
Direct Federal Program			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,612
Passed Through the New Hampshire Department of Justice			
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	Unknown	<u>96,873</u>
Total U.S. Department of Justice			98,485
U.S. Department of the Treasury			
Passed Through the New Hampshire Governor's Office for Emergency Relief and Recovery			
COVID-19 - Coronavirus Relief Fund - First Responder Stipend Program	21.019	Unknown	261,771
COVID-19 - Coronavirus Relief Fund - Municipal & County Relief Fund	21.019	Unknown	<u>535,438</u>
Total U.S. Department of Treasury			797,209
U.S. Department of Homeland Security			
Direct Federal Program			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	220,022
Passed Through the New Hampshire Department of Safety			
Emergency Management Performance Grants	97.042	EMB-2018-EP-00007-A03	68,340
Homeland Security Grant Program	97.067	EMW-2017-SS-0023S01	<u>1,782</u>
Total U.S. Department of Homeland Security			<u>290,144</u>
Total Federal Expenditures			<u>\$ 1,185,838</u>

The accompanying notes are an integral part of this schedule.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Londonderry, New Hampshire (the Town) under programs of the federal government for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

Note 2. Summary of Significant Accounting Policies

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Donated Personal Protective Equipment (PPE) (Unaudited)

During fiscal year 2020, the Town received donated PPE from federal assistance with an estimated fair market value of \$8,895.

Note 4. Subrecipients

Of the federal expenditures presented in the Schedule, the Town did not provide federal awards to subrecipients.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for
major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

CFDA Number

21.019

21.019

Names of Federal Programs

COVID-19 Coronavirus Relief Fund – First
Responder Stipend Program

COVID-19 Coronavirus Relief Fund – Municipal &
County Relief Fund

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

There was no single audit required in the prior year.



TOWN OF LONDONDERRY, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended June 30, 2020

(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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Londonderry, New Hampshire, as of and for the year ended June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

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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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Londonderry, New Hampshire as of June 30, 2020, and the respective changes in financial position, the respective budgetary comparison for the general fund, and, where applicable, cash flows thereof 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial



reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson

Nashua, New Hampshire
October 27, 2020



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, 2020.

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 required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of 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 (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation, and economic development. The business-type activities include sewer activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for sewer operations, which is considered to be a major fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the 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.

Required Supplementary Information

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

B. Financial Highlights

As of the close of the current fiscal year, net position in governmental activities was \$16,952,532, a change of \$712,688 in comparison to the prior year, and net position in business-type activities was \$25,114,537, a change of \$1,097,499 in comparison to the prior year.

As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$17,080,284, a change of (\$2,334,587) in comparison to the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,778,171, a change of \$125,881 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.

Summary of Net Position (000s)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 67,198	\$ 66,807	\$ 4,000	\$ 2,430	\$ 71,198	\$ 69,237
Capital assets	<u>65,310</u>	<u>63,027</u>	<u>21,487</u>	<u>22,162</u>	<u>86,797</u>	<u>85,189</u>
Total assets	132,508	129,834	25,487	24,592	157,995	154,426
Deferred outflows of resources	<u>6,017</u>	<u>7,115</u>	-	-	<u>6,017</u>	<u>7,115</u>
Total assets and deferred outflows of resources	<u>\$ 138,525</u>	<u>\$ 136,949</u>	<u>\$ 25,487</u>	<u>\$ 24,592</u>	<u>\$ 164,012</u>	<u>\$ 161,541</u>
Other liabilities	\$ 4,817	\$ 4,259	\$ 133	\$ 215	\$ 4,950	\$ 4,474
Long-term liabilities	<u>67,327</u>	<u>68,694</u>	<u>240</u>	<u>360</u>	<u>67,567</u>	<u>69,054</u>
Total liabilities	72,144	72,953	373	575	72,517	73,528
Deferred inflows of resources	49,428	47,756	-	-	49,428	47,756
Net investment in capital assets	51,435	48,252	21,247	21,802	72,682	70,054
Restricted	1,423	3,614	-	-	1,423	3,614
Unrestricted	<u>(35,905)</u>	<u>(35,626)</u>	<u>3,867</u>	<u>2,215</u>	<u>(32,038)</u>	<u>(33,411)</u>
Total net position	<u>16,953</u>	<u>16,240</u>	<u>25,114</u>	<u>24,017</u>	<u>42,067</u>	<u>40,257</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 138,525</u>	<u>\$ 136,949</u>	<u>\$ 25,487</u>	<u>\$ 24,592</u>	<u>\$ 164,012</u>	<u>\$ 161,541</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 \$42,067,069, a change of \$1,810,187 in comparison to the prior year.

The largest portion of net position, \$72,681,780, reflects the Town's investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, vehicles and equipment, intangibles, improvements other than buildings, 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, \$1,422,710, 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 (\$32,037,421) primarily resulting from unfunded pension and OPEB liabilities.

Changes in Net Position (000s)						
	Governmental		Business-Type Activities		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,118	\$ 5,528	\$ 2,315	\$ 2,560	\$ 7,433	\$ 8,088
Operating grants and contributions	2,175	1,160	-	-	2,175	1,160
General revenues:						
Property taxes	20,394	18,619	-	-	20,394	18,619
Interest, penalties and other taxes	925	1,008	-	-	925	1,008
Motor vehicle registrations	9,034	9,251	-	-	9,034	9,251
Grants and contributions not restricted to specific programs	1,320	1,315	-	-	1,320	1,315
Capital contributions	-	-	1,601	-	1,601	-
Investment income	780	1,012	-	-	780	1,012
Other	22	598	-	-	22	598
Total revenues	39,768	38,491	3,916	2,560	43,684	41,051
Expenses						
General government	3,660	4,525	-	-	3,660	4,525
Public safety	23,776	23,734	-	-	23,776	23,734
Highways and streets	6,092	7,051	-	-	6,092	7,051
Sanitation	1,966	1,901	-	-	1,966	1,901
Health and welfare	105	111	-	-	105	111
Culture and recreation	2,387	2,092	-	-	2,387	2,092
Conservation	178	45	-	-	178	45
Economic development	429	413	-	-	429	413
Interest	552	486	-	-	552	486
Sewer services	-	-	2,729	2,558	2,729	2,558
Total expenses	39,145	40,358	2,729	2,558	41,874	42,916
Change in net position before transfers	623	(1,867)	1,187	2	1,810	(1,865)
Transfers in (out)	90	-	(90)	-	-	-
Net position - beginning of year, as restated	16,240	18,107	24,017	24,015	40,257	42,122
Net position - end of year	\$ 16,953	\$ 16,240	\$ 25,114	\$ 24,017	\$ 42,067	\$ 40,257

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$712,688. Key elements of this change are as follows:

General fund operations, other than transfers	\$ 1,186,813
Depreciation expense in excess of debt principal payments	(254,638)
Increase in pension and OPEB expense from GASB 68 and 75	(808,947)
Other (mostly revenues used to finance the Rail Trail)	<u>589,460</u>
Total	<u>\$ 712,688</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$1,097,499. Key elements of this change result from was the \$1.6m in capital related assessment and connection fees recognized in fiscal year 2020.

D. Financial Analysis of the Town's 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.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,778,171, while total fund balance was \$12,084,985. Positive budgetary results (further described below) plus a significant amount (approximately \$1.5m) in appropriation carryforwards generated the increase in our total fund balance. Our unassigned fund balance, however, was essentially unchanged from the prior year as the budgetary surplus of \$1,321,194 (page 20) was reduced by our use of unassigned fund balance for projects at our March 2020 Town Meeting (\$350,000) and a transfer of \$1m to our fund balance assigned for potential tax abatements.

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, 2020, 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>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>Gross Municipal Appropriations</u>	<u>% of Gross Appropriations</u>
Unassigned fund balance	\$ 5,778,171	\$ 5,652,290	\$ 125,881	\$ 36,904,817	15.7%
Total fund balance ¹	\$ 12,084,985	\$ 11,312,265	\$ 772,720	\$ 36,904,817	32.7%

¹Includes capital reserve and expendable trust funds.

The total fund balance of the general fund changed by \$772,720 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	\$ (262,000)
For the Rail Trail improvements	(600,000)
For debt service	(146,524)
For capital articles	(668,500)
Revenues in excess of budget	640,972 *
Expenditures less than budget	680,222 *
Excess of current year encumbrances over prior year	732,563
Transfers in excess of budget	88,557
Capital reserve fund changes	307,430
Total	<u>\$ 772,720</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>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
Roadway maintenance	\$ 1,042,733	\$ 739,987	\$ 302,746
Fire equipment	314,284	268,592	45,692
Cable equipment	164,694	206,290	(41,596)
Other	527,181	526,593	588
Total	<u>\$ 2,048,892</u>	<u>\$ 1,741,462</u>	<u>\$ 307,430</u>

Non-Major Governmental Funds

The non-major fund balance changed by \$(3,107,307) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects. Specifically, expenditure related to our Fire Station Project and Exit 4A of \$2,581,752 and \$914,978 respectively that were financed with our fiscal year 2019 bond issuance.

Proprietary Funds

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

The Sewer enterprise fund was established in fiscal year 2020. The creation of the fund was approved in Article 6 of the March 12, 2019 Annual Town Meeting. Beginning net position of the fund was restated by \$24,017,038. Additional information on the restatement can be found in Note 22 of this report.

Unrestricted net position of the enterprise funds at the year amounted to \$3,867,266, a change of \$1,652,266 in comparison to the prior year, resulting primarily from \$1.6m in assessment and connection fees.

E. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget result from special warrant article appropriations, the Town accepting and appropriating miscellaneous revenue received throughout the year 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 Expenditures less than budget occurred as the town enacted a budgeted freeze in the month of March out of caution for the unknown expenses that could occur because of the Coronavirus national emergency and worldwide pandemic. The uncertainty regarding potential unanticipated expenditures from the pandemic and the uncertainty of qualifying expenses for potential reimbursement from the Federal government led to this freeze. As the pandemic continued, additional Federal funding and clarity regarding qualifying expenses emerged, leading to the expenditures occurred being less than the budget.

Licenses and permits revenue was over budget by \$732,078. This was primarily due to an increase in motor vehicle registration fees.

The Transfers in excess of the budget occurred due to the sewer special revenue fund being dissolved and turned into an enterprise fund at the previous annual town meeting. This process led to no appropriation for the fiscal year, with the revenues exceeding the expenditures for the Sewer Enterprise Fund.

F. Capital Asset and Debt Administration

Capital assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$86,796,876 (net of accumulated depreciation), a change of \$1,607,062. 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 39 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 \$14,638,271, all of which was backed by the full faith and credit of the government. In addition, the Town has outstanding capital leases totaling \$3,595,473, 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 41-44 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 2019, Londonderry was still one of the fastest growing communities in New Hampshire. The Baldwin, a 290-unit 55+ high-end independent living community closed on their property and is set to begin construction in the spring of 2021. 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 as well as bringing sewer to the plaza. In the area of Pettengill Road and Exit 5, Northeast Poultry Products completed and has moved into their new 150k sq. ft. facility, while Bellavance Beverage is under construction for a 160k sq. ft. distribution facility in the corner of Webb Drive. New residential construction also continues to be strong with the third and fourth 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 opened in the fall.

For the upcoming fiscal year, the taxpayers approved at the Annual Budgetary Town Meeting a combined \$36,019,522 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 2019 and 2020, the Town added \$16,514,549 to its total assessed valuation.

Requests for Information

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

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 53,800,228	\$ -	\$ 53,800,228
Investments	1,132,300	-	1,132,300
Receivables, net of allowance for uncollectibles:			
Property taxes	14,266,655	-	14,266,655
User fees	881,881	67,024	948,905
Intergovernmental	204,105	-	204,105
Departmental and other	502,116	-	502,116
Internal balances	(3,932,854)	3,932,854	-
Property held for resale	22,014	-	22,014
Prepaid items	322,037	-	322,037
Total current assets	67,198,482	3,999,878	71,198,360
Noncurrent:			
Capital assets:			
Land and construction in progress	19,596,780	190,805	19,787,585
Other capital assets, net of accumulated depreciation	45,712,825	21,296,466	67,009,291
Total non-current assets	65,309,605	21,487,271	86,796,876
Total Assets	132,508,087	25,487,149	157,995,236
Deferred Outflows of Resources			
Related to pensions	4,518,969	-	4,518,969
Related to OPEB	1,498,384	-	1,498,384
Total Deferred Outflows of Resources	6,017,353	-	6,017,353
Total Assets and Deferred Outflows of Resources	\$ 138,525,440	\$ 25,487,149	\$ 164,012,589
Liabilities, Deferred Inflows of Resources and Net Position			

(continued)

(continued)

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Statement of Net Position
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current:			
Accounts payable	1,949,032	132,612	2,081,644
Accrued liabilities	968,516	-	968,516
Tax refunds payable	1,140,499	-	1,140,499
Other liabilities	591,946	-	591,946
Unearned revenue	168,740	-	168,740
Current portion of long-term liabilities:			
Capital leases	738,057	-	738,057
Bonds payable	1,785,800	120,000	1,905,800
Compensated absences	300,000	-	300,000
Landfill post-closure	18,503	-	18,503
Total current liabilities	7,661,093	252,612	7,913,705
Noncurrent:			
Capital leases, net of current portion	2,857,416	-	2,857,416
Bonds payable, net of current portion	12,612,471	120,000	12,732,471
Compensated absences, net of current portion	1,848,279	-	1,848,279
Landfill post-closure, net of current portion	78,988	-	78,988
Net pension liability	34,204,283	-	34,204,283
Net OPEB liability	12,882,791	-	12,882,791
Total non-current liabilities	64,484,228	120,000	64,604,228
Total Liabilities	72,145,321	372,612	72,517,933
Deferred Inflows of Resources			
Related to pensions	1,564,524	-	1,564,524
Related to OPEB	3,324,123	-	3,324,123
Taxes collected in advance	44,538,940	-	44,538,940
Total Deferred Inflows of Resources	49,427,587	-	49,427,587
Net Position			
Net investment in capital assets	51,434,509	21,247,271	72,681,780
Restricted externally or constitutionally for:			
Permanent funds:			
Nonexpendable	1,190,796	-	1,190,796
Expendable	132,902	-	132,902
Restricted by enabling legislation	99,012	-	99,012
Unrestricted	(35,904,687)	3,867,266	(32,037,421)
Total Net Position	16,952,532	25,114,537	42,067,069
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 138,525,440	\$ 25,487,149	\$ 164,012,589

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, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Type Activities	
Governmental Activities							
General government	\$ 3,660,281	\$ 101,313	\$ 517,298	\$ -	\$ (3,041,670)	\$ -	\$ (3,041,670)
Public safety	23,776,020	4,331,773	305,673	-	(19,138,574)	-	(19,138,574)
Highways and streets	6,092,109	-	635,185	-	(5,456,924)	-	(5,456,924)
Sanitation	1,965,583	152,951	116,321	-	(1,696,311)	-	(1,696,311)
Health and welfare	105,135	-	-	-	(105,135)	-	(105,135)
Culture and recreation	2,387,102	532,012	600,095	-	(1,254,995)	-	(1,254,995)
Conservation	178,072	-	-	-	(178,072)	-	(178,072)
Economic development	429,392	-	-	-	(429,392)	-	(429,392)
Interest	551,788	-	-	-	(551,788)	-	(551,788)
Total Governmental Activities	39,145,482	5,118,049	2,174,572	-	(31,852,861)	-	(31,852,861)
Business-Type Activities							
Sewer	2,729,210	2,314,629	-	1,601,676	-	1,187,095	1,187,095
Total Governmental Activities	2,729,210	2,314,629	-	1,601,676	-	1,187,095	1,187,095
Total	\$ 41,874,692	\$ 7,432,678	\$ 2,174,572	\$ 1,601,676	(31,852,861)	1,187,095	(30,665,766)
General Revenues and Transfers							
Property taxes					20,394,482	-	20,394,482
Interest, penalties and other taxes					925,214	-	925,214
Motor vehicle registrations					9,033,606	-	9,033,606
Grants and contributions not restricted to specific programs					1,320,141	-	1,320,141
Investment income					780,172	-	780,172
Miscellaneous					22,338	-	22,338
Transfers, net					89,596	(89,596)	-
Total general revenues					32,565,549	(89,596)	32,475,953
Change in net position					712,688	1,097,499	1,810,187
Net Position							
Beginning of year, as restated					16,239,844	24,017,038	40,256,882
End of year					\$ 16,952,532	\$ 25,114,537	\$ 42,067,069

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Governmental Funds

Balance Sheet

June 30, 2020

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 51,430,425	\$ 2,369,802	\$ 53,800,227
Investments	-	1,132,300	1,132,300
Receivables, net of allowance for uncollectibles:			
Property taxes	14,266,655	-	14,266,655
User fees	881,881	-	881,881
Intergovernmental	204,105	-	204,105
Other	87,058	415,060	502,118
Due from other funds	313,588	1,892,280	2,205,868
Prepaid items	322,036	-	322,036
Property held for resale	22,014	-	22,014
Total Assets	\$ <u>67,527,762</u>	\$ <u>5,809,442</u>	\$ <u>73,337,204</u>
Liabilities			
Accounts payable	\$ 1,448,476	\$ 500,555	\$ 1,949,031
Accrued liabilities	1,032,564	-	1,032,564
Tax refunds payable	1,140,499	-	1,140,499
Unearned revenue	52,524	-	52,524
Due to other funds	5,825,134	313,588	6,138,722
Other liabilities	591,946	-	591,946
Total Liabilities	10,091,143	814,143	10,905,286
Deferred Inflows of Resources			
Taxes collected in advance	44,655,156	-	44,655,156
Unavailable revenues	696,478	-	696,478
Total Deferred Inflows of Resources	45,351,634	-	45,351,634
Fund Balances			
Nonspendable	344,051	1,190,796	1,534,847
Restricted	421,593	1,432,152	1,853,745
Committed	2,398,892	2,395,863	4,794,755
Assigned	3,142,278	-	3,142,278
Unassigned	5,778,171	(23,512)	5,754,659
Total Fund Balances	<u>12,084,985</u>	<u>4,995,299</u>	<u>17,080,284</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>67,527,762</u>	\$ <u>5,809,442</u>	\$ <u>73,337,204</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, 2020

Total governmental fund balances	\$ 17,080,284
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	65,309,605
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	696,477
Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related inflows and outflows consist of:	
Deferred outflows	4,518,969
Deferred inflows	(1,564,524)
Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related inflows and outflows consist of:	
Deferred outflows	1,498,384
Deferred inflows	(3,324,123)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(235,952)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Capital leases	(3,595,473)
Bonds payable - public offerings	(14,398,271)
Compensated absences	(1,848,279)
Landfill liability	(97,491)
Net pension liability	(34,204,283)
Net OPEB liability	(12,882,791)
Net position of governmental activities	<u><u>\$ 16,952,532</u></u>

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, 2020

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 20,258,719	\$ -	\$ 20,258,719
Interest, penalties and other taxes	825,009	180,646	1,005,655
Licenses and permits	9,594,828	-	9,594,828
Intergovernmental	2,296,673	517,298	2,813,971
Charges for services	1,687,421	2,869,406	4,556,827
Investment income	733,230	46,946	780,176
Other revenues	<u>380,877</u>	<u>241,757</u>	<u>622,634</u>
Total Revenues	35,776,757	3,856,053	39,632,810
Expenditures			
General government	3,597,002	96,953	3,693,955
Public safety	19,905,567	3,171,375	23,076,942
Highways and streets	4,582,120	914,978	5,497,098
Sanitation	1,984,906	-	1,984,906
Health and welfare	104,695	440	105,135
Culture and recreation	1,913,932	404,390	2,318,322
Conservation	1,840	176,233	178,073
Economic development	415,860	-	415,860
Capital outlay	756,517	2,702,680	3,459,197
Debt service	<u>2,504,317</u>	<u>-</u>	<u>2,504,317</u>
Total Expenditures	<u>35,766,756</u>	<u>7,467,049</u>	<u>43,233,805</u>
Excess (deficiency) of revenues over (under) expenditures	10,001	(3,610,996)	(3,600,995)
Other Financing Sources (Uses)			
Issuance of capital lease	1,176,812	-	1,176,812
Transfers in	196,057	610,150	806,207
Transfers out	<u>(610,150)</u>	<u>(106,461)</u>	<u>(716,611)</u>
Total Other Financing Sources (Uses)	<u>762,719</u>	<u>503,689</u>	<u>1,266,408</u>
Net changes in fund balances	772,720	(3,107,307)	(2,334,587)
Fund Balances, beginning of year	<u>11,312,265</u>	<u>8,102,606</u>	<u>19,414,871</u>
Fund Balances, end of year	\$ <u><u>12,084,985</u></u>	\$ <u><u>4,995,299</u></u>	\$ <u><u>17,080,284</u></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, 2020

Net changes in fund balances - total governmental funds \$ (2,334,587)

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	5,219,066
Depreciation	(2,937,226)

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.

135,762

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.

2,682,588

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 capital leases	(1,176,812)
----------------------------	-------------

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

61,726

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	470,467
Pension related deferred inflows and outflows	(1,219,065)
Net OPEB liability	(414,441)
OPEB related deferred inflows and outflows	354,092

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	(148,205)
Landfill post-closure liability	19,323

Change in net position of governmental activities \$ 712,688

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, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 20,439,327	\$ 20,439,327	\$ 20,258,719	\$ (180,608)
Interest, penalties, and other taxes	889,852	889,852	825,009	(64,843)
Licenses and permits	8,862,750	8,862,750	9,594,828	732,078
Intergovernmental	2,258,570	2,332,910	2,296,673	(36,237)
Charges for services	1,574,900	1,576,900	1,687,421	110,521
Investment income	650,000	650,000	733,230	83,230
Other revenues	<u>103,000</u>	<u>368,553</u>	<u>365,384</u>	<u>(3,169)</u>
Total Revenues	34,778,399	35,120,292	35,761,264	640,972
Expenditures				
General government	3,659,665	3,659,665	3,660,924	(1,259)
Public safety	19,158,626	19,234,966	19,138,222	96,744
Highways and streets	4,235,940	4,501,493	4,403,050	98,443
Sanitation	2,045,256	2,045,256	1,975,256	70,000
Health	398,652	398,652	357,342	41,310
Welfare	78,000	78,000	54,695	23,305
Culture and recreation	1,713,920	1,713,920	1,601,588	112,332
Conservation	3,350	3,350	1,840	1,510
Economic development	478,690	478,690	415,860	62,830
Capital outlay	2,073,500	2,073,500	1,898,500	175,000
Debt service	<u>2,504,324</u>	<u>2,504,324</u>	<u>2,504,317</u>	<u>7</u>
Total Expenditures	<u>36,349,923</u>	<u>36,691,816</u>	<u>36,011,594</u>	<u>680,222</u>
Excess (deficiency) of revenue over expenditures	(1,571,524)	(1,571,524)	(250,330)	1,321,194
Other Financing Sources and Uses				
Transfers in	107,500	107,500	196,057	88,557
Transfers out	(213,000)	(213,000)	(213,000)	-
Use of fund balance:				
Rail Trail	600,000	600,000	-	(600,000)
Bond Premium Use	146,524	146,524	-	(146,524)
Capital articles	668,500	668,500	-	(668,500)
Transfers to Capital Reserve Funds	<u>262,000</u>	<u>262,000</u>	<u>-</u>	<u>(262,000)</u>
Total Other Financing Sources (Uses)	<u>1,571,524</u>	<u>1,571,524</u>	<u>(16,943)</u>	<u>(1,588,467)</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(267,273)</u>	\$ <u>(267,273)</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Proprietary Fund
Business-Type Activity – Enterprise Fund
Statement of Net Position
June 30, 2020

	<u>Sewer</u>
Assets	
Current:	
Receivables, net of allowance for uncollectibles:	
User fees	\$ 67,024
Due from other fund	<u>3,932,854</u>
Total current assets	3,999,878
Noncurrent:	
Capital assets:	
Land and construction in progress	190,805
Capital assets, net of accumulated depreciation	<u>21,296,466</u>
Total noncurrent assets	<u>21,487,271</u>
Total Assets	<u><u>\$ 25,487,149</u></u>
 Liabilities and Net Position	
 Liabilities	
Current:	
Accounts payable	\$ 132,612
Current portion of long-term liabilities:	
Bonds and loans payable	<u>120,000</u>
Total current liabilities	252,612
Noncurrent:	
Bonds and loans payable, net of current portion	<u>120,000</u>
Total noncurrent liabilities	<u>120,000</u>
Total Liabilities	372,612
Net Position	
Net investment in capital assets	21,247,271
Unrestricted	<u>3,867,266</u>
Total Net Position	<u>25,114,537</u>
Total Liabilities and Net Position	<u><u>\$ 25,487,149</u></u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Proprietary Fund
Business-Type Activity – Enterprise Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2020

	<u>Sewer</u>
Operating Revenues	
Charges for services	\$ <u>2,314,629</u>
Total Operating Revenues	2,314,629
Operating Expenses	
Personnel services	133,496
Non-personnel services	1,875,624
Depreciation	<u>705,090</u>
Total Operating Expenses	<u>2,714,210</u>
Operating Income (Loss)	(399,581)
Nonoperating Expenses	
Interest expense	<u>(15,000)</u>
Income (Loss) Before Contributions and Transfers	(414,581)
Capital contributions	1,601,676
Transfers out	<u>(89,596)</u>
Change in Net Position	1,097,499
Net Position at Beginning of Year, as restated	<u>24,017,038</u>
Net Position at End of Year	\$ <u><u>25,114,537</u></u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>Sewer</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,286,562
Payments to employees for salaries and related benefits	(133,496)
Payments to suppliers for goods and services	(1,958,029)
Receipts from interfund service provided	<u>29,559</u>
Net Cash Provided By Operating Activities	224,596
Cash Flows From Noncapital Financing Activities:	
Transfers to other funds	<u>(89,596)</u>
Net Cash Used For Noncapital Financing Activities	(89,596)
Cash Flows From Capital and Related Financing Activities	
Capital contributions	1,601,676
Acquisition and construction of capital assets	(30,313)
Payments for interfund service provided	(1,571,363)
Principal payments on bonds and loans	(120,000)
Interest expense	<u>(15,000)</u>
Net Cash Used For Capital and Related Financing Activities	(135,000)
Net Change in Cash and Short-Term Investments	-
Cash and Short-Term Investments, Beginning of Year	<u>-</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ (399,581)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	705,090
Changes in assets and liabilities:	
User fees	(28,067)
Accounts payable	(82,405)
Interfund receivables and payables	<u>29,559</u>
Net Cash Provided By Operating Activities	<u><u>\$ 224,596</u></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, 2020

	Agency Funds
Assets	
Cash and short term investments	\$ <u>1,299,653</u>
Liabilities	
Escrow deposits	\$ 819,402
School funds	<u>480,251</u>
Total Liabilities	\$ <u>1,299,653</u>

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2020

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:

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 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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. 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 *general fund* as a major governmental fund. The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales

and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports *sewer fund* as a major proprietary 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 agency funds as fiduciary funds. The *agency funds* 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.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue 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. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the State Banking Commission. The portfolio meets the requirements of GASB Statement No. 79, Certain External Investment Pools and Pool Participants, and investments are valued at amortized cost. Investment in NHPDIP is classified as a short-term investment due to its highly liquid nature.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

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 "interfund balances."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 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
Software	3

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.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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.

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

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.

Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 35,776,757	\$ 35,766,756
Other financing sources/uses (GAAP basis)	<u>1,372,869</u>	<u>610,150</u>
Subtotal (GAAP Basis)	37,149,626	36,376,906
Subtract expenditures of prior year appropriation carryforwards	-	(754,333)
Add end-of-year appropriation carryforwards to expenditures	-	1,472,200
Reverse effect of combining general fund and capital reserve funds (GASB 54)	(15,493)	291,937
To remove gross up for issuance of capital leases	(1,176,812)	(1,176,812)
Reverse nonbudgeted activity	<u>-</u>	<u>14,696</u>
Budgetary basis	<u>\$ 35,957,321</u>	<u>\$ 36,224,594</u>

Deficit Fund Equity

The deficits in the Police Airport and Grant funds (included in nonmajor governmental funds) as of June 30, 2020 will be eliminated through collection of revenues.

3. Deposits and Investments

State statutes (RSA 48:16 for Cities and Towns) place certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH Banks or banks outside the State if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

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. 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, 2020, none of the Town's bank balance of \$54,383,641 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, \$720,027 was invested in the New Hampshire Public Deposit Investment Pool (NHPDIP) which is not subject to this disclosure.

The Town also maintains various trust funds that are managed by the Trustees of Trust Funds. As of June 30, 2020, the Trust Funds investment in Government Obligations Institutional Portfolio of \$191,398 included at least 99.5% in cash, U.S. Government securities and/or repurchased agreements that are fully collateralized. This is a money market fund that seeks to maintain a stable net asset value (NAV) of \$1 per share, and therefore is excluded from level 1 disclosure in fair value table.

Investment Summary

The following is a summary of the Trust Funds investments as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 191,049
Corporate equities	747,184
Federal agency obligations	102,209
U.S. Government obligations	37,348
Fixed income mutual funds	28,605
Mortgage backed securities	14,097
Alternatives	<u>11,808</u>
Total investments	<u>\$ 1,132,300</u>

Custodial Credit Risk – Investments

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

The Trust Funds investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities. Investments are held by the counterparty's agent.

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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. The Trustees' policies do not specifically address investment credit risk.

US Government obligations, including mortgage backed securities, have an implied rating of AAA. The remaining fixed income investments are rated as follows by Standard & Poor's:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-End</u>		
		<u>AA+</u>	<u>A - AA-</u>	<u>B - BBB</u>
Corporate bonds	\$ 191,049	\$ -	\$ 165,387	\$ 25,662
Federal agencies	102,209	102,209	-	-
Fixed income mutual funds	<u>28,605</u>	<u>-</u>	<u>-</u>	<u>28,605</u>
Total	<u>\$ 321,863</u>	<u>\$ 102,209</u>	<u>\$ 165,387</u>	<u>\$ 54,267</u>

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Trust Funds investment in a single issuer. The Trustees do not place limits on the amount that may be invested in any one issuer. At June 30, 2020, the Trustees did not have investments in any one issuer that exceeded 5% of total investments.

Investment Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trustees do not 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Debt-related Securities:		
Corporate bonds	\$ 191,049	4.07
Federal agency securities	102,209	5.55
US Government securities	37,348	5.77
Fixed income mutual funds	28,605	11.09
Mortgage backed securities	<u>14,097</u>	12.17
Total	<u>\$ 373,308</u>	

Foreign Currency Risk – Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. At June 30, 2020, there were no investments in foreign securities.

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, 2020:

Fair Value Measurements Using:				
Description	Quoted prices			
	in active markets for identical (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ 191,049	\$ -	\$ 191,049	\$ -
Federal agency securities	102,209	-	102,209	-
US Government securities	37,348	37,348	-	-
Fixed income mutual funds	28,605	-	28,605	-
Mortgage backed securities	14,097	-	14,097	-
Equity securities:				
Information technology	171,117	171,117	-	-
Healthcare	108,051	108,051	-	-
Utilities	44,907	44,907	-	-
Real estate	27,929	27,929	-	-
Industrials	58,254	58,254	-	-
Financials	83,303	83,303	-	-
Communication services	48,583	48,583	-	-
Consumer staples	74,815	74,815	-	-
Consumer discretionary	58,639	58,639	-	-
All others - combined	71,586	71,586	-	-
Alternatives	11,808	11,808	-	-
Total	\$ 1,132,300	\$ 796,340	\$ 335,960	\$ -

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.

4. **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 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property tax receivables at June 30, 2020 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	\$ 13,961,459	\$ -	\$ 13,961,459
Excavation taxes	9,256	-	9,256
Yield taxes	3,767	-	3,767
Land use change taxes	-	-	-
Tax liens	329,171	(79,357)	249,814
Tax deferrals	42,359	-	42,359
	<u> </u>	<u> </u>	<u> </u>
Total property taxes	\$ <u>14,346,012</u>	\$ <u>(79,357)</u>	\$ <u>14,266,655</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.

5. 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 proprietary fund financial statements are \$67,024.

The Town also reports \$531,800 of ambulance user charges receivable and \$350,081 of motor vehicle short slip user charges receivable in the government-wide financial statements.

6. Intergovernmental Receivable

This balance represents reimbursements requested from State agencies for expenditures incurred in fiscal 2020.

7. Interfund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2020 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 313,588	\$ 5,825,134
Major Sewer Enterprise Fund	3,932,854	
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police outside detail	-	7,402
Police airport division	-	289,617
Conservation commission	-	12,545
Reclamation fund	1,336	-
Town grants	3,554	4,024
Other special revenue funds	61,692	-
Capital Project Funds:		
Exit 4A	807,516	-
Fire station	215,350	-
Emergency Communications Systems Upgrade	369,276	-
Rail Trail	433,556	
Subtotal Nonmajor Funds	<u>1,892,280</u>	<u>313,588</u>
Total	<u>\$ 6,138,722</u>	<u>\$ 6,138,722</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	\$ 196,057	\$ 610,150
Major Sewer Enterprise Fund	-	89,596
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Police airport division	-	88,961
Other special funds	10,150	-
Capital Project Funds:		
Rail trail	600,000	-
Permanent funds	-	17,500
Subtotal Nonmajor Funds	610,150	106,461
Total	\$ 806,207	\$ 806,207

Of the transfer into the general fund, \$89,596 was transferred from the sewer fund for their share of the general fund costs. The \$600,000 transfer out of the general fund to the Rail Trail Capital Project Fund represents the Town's practice of funding certain capital activities with revenues rather than bonds. 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, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and building improvements	\$ 18,316	\$ 6,881	\$ -	\$ 25,197
Machinery, vehicles, and equipment	12,358	1,570	(1,027)	12,901
Intangibles	692	60	(17)	735
Infrastructure	58,260	183	-	58,443
Improvements other than buildings	956	252	(7)	1,201
Total capital assets, being depreciated	90,582	8,946	(1,051)	98,477
Less accumulated depreciation for:				
Buildings and building improvements	(6,150)	(802)	-	(6,952)
Machinery, vehicles, and equipment	(10,019)	(876)	1,027	(9,868)
Intangibles	(690)	(11)	17	(684)
Infrastructure	(33,417)	(1,165)	-	(34,582)
Improvements other than buildings	(600)	(83)	5	(678)
Total accumulated depreciation	(50,876)	(2,937)	1,049	(52,764)
Total capital assets, being depreciated, net	39,706	6,009	(2)	45,713
Capital assets, not being depreciated:				
Land and land improvements	15,297	-	-	15,297
Construction in progress	8,026	131	(3,857)	4,300
Total capital assets, not being depreciated	23,323	131	(3,857)	19,597
Governmental activities capital assets, net	\$ 63,029	\$ 6,140	\$ (3,859)	\$ 65,310
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,742	\$ -	\$ -	\$ 3,742
Machinery, equipment, and furnishings	201	-	-	201
Infrastructure	31,428	29	-	31,457
Improvements other than buildings	4	-	-	4
Total capital assets, being depreciated	35,375	29	-	35,404
Less accumulated depreciation for:				
Buildings and improvements	(225)	(94)	-	(319)
Machinery, equipment, and furnishings	(201)	-	-	(201)
Infrastructure	(12,975)	(611)	-	(13,586)
Improvements other than buildings	(2)	-	-	(2)
Total accumulated depreciation	(13,403)	(705)	-	(14,108)
Total capital assets, being depreciated, net	21,972	(676)	-	21,296
Capital assets, not being depreciated:				
Construction in progress	191	-	-	191
Total capital assets, not being depreciated	191	-	-	191
Business-type activities capital assets, net	\$ 22,163	\$ (676)	\$ -	\$ 21,487

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 214,565
Public safety	1,262,008
Highways and streets	1,309,865
Culture and recreation	148,657
Economic development	<u>2,131</u>
Total governmental activities	<u>\$ 2,937,226</u>
Business-Type Activities:	
Sewer	<u>\$ 705,090</u>
Total business-type activities	<u>\$ 705,090</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 2020 expenditures paid after June 30, 2020.

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, 2020.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers 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 Lease Obligations

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, 2020:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2021	\$ 838,082
2022	673,130
2023	553,932
2024	542,722
2025	500,455
2026 - 2029	<u>870,484</u>
Total minimum lease payments	3,978,805
Less amounts representing interest	<u>(383,332)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 3,595,473</u></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

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.

The Town issues general obligation bonds (including direct placements) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	Serial Maturities Through	Interest Rate %	Amount Outstanding as of 6/30/20
Public offering bonds:			
Roadway improvements	12/01/20	2.38%	100,000
Roadway improvements	07/15/21	2.48%	200,000
Multi-purpose bond	07/01/23	3.83%	2,720,000
Exit 4A (2018)	10/01/29	2.35%	1,125,000
Exit 4A (2019) and Central Fire Station	01/15/39	3.06%	8,065,000
Total public offering bonds			<u>12,210,000</u>
Direct placement bonds:			
Refunding bonds	08/15/26	2.00%	1,480,000
Exit 4A (2016)	03/01/26	3.49%	708,271
Total direct placement bonds			<u>2,188,271</u>
Total Governmental Activities			<u>\$ 14,398,271</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/20
Public offering bonds:			
Mammoth Road sewer	11/01/21	4.39%	\$ 240,000
Total Business-Type Activities:			<u>\$ 240,000</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u> <u>Activities</u>	Public Offering Bonds		Direct Placement Bonds		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 1,430,000	\$ 478,603	\$ 355,800	\$ 51,919	\$ 2,316,322
2022	1,330,000	419,928	350,800	43,127	2,143,855
2023	1,230,000	364,638	325,800	34,636	1,955,074
2024	1,230,000	189,118	320,800	26,444	1,766,362
2025	550,000	269,794	315,800	18,353	1,153,947
2026-2030	2,625,000	959,906	519,271	12,312	4,116,489
2031-2035	2,125,000	477,531	-	-	2,602,531
2036-2039	1,690,000	139,088	-	-	1,829,088
Total	<u>\$ 12,210,000</u>	<u>\$ 3,298,606</u>	<u>\$ 2,188,271</u>	<u>\$ 186,791</u>	<u>\$ 17,883,668</u>

The general fund has been designated as the primary source to repay all governmental-type long-term debt.

Public Offering Bonds			
<u>Business-Type</u>			
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 120,000	\$ 9,000	\$ 129,000
2022	<u>120,000</u>	<u>3,000</u>	<u>123,000</u>
Total	<u>\$ 240,000</u>	<u>\$ 12,000</u>	<u>\$ 252,000</u>

The sewer fund has been designated to repay the debt associated with the sewer projects.

Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2020 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>

Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning			Ending	Less	Equals
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	<u>Long-term</u>
Governmental Activities					<u>Portion</u>	<u>Portion</u>
Capital leases	\$ 3,210	\$ 1,177	(792)	\$ 3,595	\$ (738)	\$ 2,857
Bonds payable - public offerings	13,740	-	(1,530)	12,210	(1,430)	10,780
Bonds payable - direct placement	2,549	-	(361)	2,188	(356)	1,832
Compensated absences	1,934	1,215	(1,001)	2,148	(300)	1,848
Landfill post-closure	116	-	(18)	98	(19)	79
Net pension liability	34,675		(471)	34,204	-	34,204
Net OPEB liability	<u>12,468</u>	<u>415</u>		<u>12,883</u>	<u>-</u>	<u>12,883</u>
Totals	<u>\$ 68,692</u>	<u>\$ 2,807</u>	<u>\$ (4,173)</u>	<u>\$ 67,326</u>	<u>\$ (2,843)</u>	<u>\$ 64,483</u>
Business-Type Activities						
Bonds payable - public offerings	\$ <u>360</u>	\$ <u>-</u>	\$ <u>(120)</u>	\$ <u>240</u>	\$ <u>(120)</u>	\$ <u>120</u>
Totals	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ (120)</u>	<u>\$ 240</u>	<u>\$ (120)</u>	<u>\$ 120</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 \$97,491 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. This amount is based on what it would cost to perform all postclosure care in 2020. 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 Town has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. 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

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Budgetary Town Meeting, and capital reserve and expendable trust funds set aside by Budgetary Town Meeting vote for future capital acquisitions and improvements.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned

Represents amounts that are available to be spent in future periods. 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, 2020:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Prepaid and held for resale	\$ 344,051	\$ -	\$ 344,051
Nonexpendable permanent funds	-	1,190,796	1,190,796
Total Nonspendable	344,051	1,190,796	1,534,847
Restricted			
Debt service	421,593	-	421,593
Special revenue funds:			-
Leach Library	-	99,012	99,012
Police outside detail	-	138,314	138,314
Reclamation fund	-	469,119	469,119
Other special revenue funds	-	61,404	61,404
Capital project funds:			-
Exit 4A	-	531,401	531,401
Expendable permanent funds	-	132,902	132,902
Total Restricted	421,593	1,432,152	1,853,745
Committed			
Subsequent year appropriations:			
Cemeteries	20,000	-	20,000
Fire dept equipment	50,000	-	50,000
Recreation	15,000	-	15,000
Town Hall parking lot paving	265,000	-	265,000
Capital reserves:			
Fire department	18,932	-	18,932
Cemetery land	37,701	-	37,701
Highway heavy equipment	16	-	16
Geographic information system	92,274	-	92,274
Pillsbury cemetery	184,584	-	184,584
Fire department equipment	314,284	-	314,284
Cable division equipment	164,694	-	164,694
ECO park	32,705	-	32,705
Master plan	651	-	651
Maintenance reserve	160,317	-	160,317
Roadway maintenance	1,042,734	-	1,042,734
Special revenue funds:			
Conservation commission	-	1,598,331	1,598,331
Capital project funds:			
Emergency communications systems upgrade	-	363,976	363,976
Rail trail	-	433,556	433,556
Total Committed	2,398,892	2,395,863	4,794,755
Assigned			
Management assignment for BTLA cases	1,500,000	-	1,500,000
Budgetary encumbrances	1,642,278	-	1,642,278
Total Assigned	3,142,278	-	3,142,278
Unassigned	5,778,171	(23,512)	5,754,659
Total Fund Balances	\$ 12,084,985	\$ 4,995,299	\$ 17,080,284

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).

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.

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	23	2.2%
Less than 4 years	49	24	2.1%

Contributions

Plan members are required to contribute a percentage of their earnable compensation to the pension plan, which the contribution rates are 7% for employees, 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 10.88% to 26.43% 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, 2020 was \$3,093,546, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$34,204,283 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, 2018. 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, 2019, the Town's proportion was 0.71% percent, which was a decrease of .01% from its previous year proportion.

For the year ended June 30, 2020, the Town recognized pension expense of \$3,875,361. 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	\$ 189,120	\$ (735,490)
Changes of assumptions	1,227,236	-
Difference between projected and actual earnings on pension plan investments	-	(279,400)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(549,634)
Contributions subsequent to the measurement date	3,102,613	-
Total	<u>\$ 4,518,969</u>	<u>\$ (1,564,524)</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 2021. 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:

2021	\$ 809,146
2022	(774,326)
2023	(188,869)
2023	<u>5,881</u>
Total	<u>\$ (148,168)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.5% per year
Wage inflation	3.25% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of 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.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

Target Allocation

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	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	4.50%
Emerging int'l equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core bonds	9.00	1.12%
Global multi-sector fixed income	10.00	2.46%
Absolute return fixed income	<u>6.00</u>	1.50%
Total fixed income	25.00	
Private equity	10.00	7.90%
Private debt	<u>5.00</u>	4.86%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	3.00%
Total	<u><u>100.00</u></u> %	

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.

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:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 45,800,944	\$ 34,204,283	\$ 24,619,733

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.

Town OPEB Plan

The Town's OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

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	19
Active employees	<u>173</u>
Total	<u><u>192</u></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	2.66%
Healthcare cost trend rates	7.5% 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, 2020.

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 2.66%. 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:

	<u>Total OPEB Liability</u>
Balance, beginning of year	\$ 8,255,065
Changes for the year:	
Service cost	518,950
Interest	302,518
Differences between expected and actual experience	(519,920)
Changes in assumptions or other inputs	667,184
Benefit payments	<u>(313,225)</u>
Net Changes	<u>655,507</u>
Balance, end of year	<u><u>\$ 8,910,572</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.66% in 2020.

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

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

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 9,771,704	\$ 8,910,572	\$ 8,131,553

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

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

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 7,761,966	\$ 8,910,572	\$ 10,282,735

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$240,850. At June 30, 2020, the Town reported deferred outflows and (inflows) related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>(Inflows) of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 514,160	\$ (2,966,755)
Change in assumptions	<u>583,786</u>	<u>(339,087)</u>
Total	<u>\$ 1,097,946</u>	<u>\$ (3,305,842)</u>

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>	
2021	\$ (580,618)
2022	(580,618)
2023	(580,618)
2024	(580,618)
2025	(2,652)
Thereafter	<u>117,228</u>
Total	\$ <u>(2,207,896)</u>

New Hampshire Retirement System Medical Subsidy Plan Description

Plan Description

In addition to the OPEB plan discussed in Note 20, 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 OPEB plan is closed to new entrants.

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 earnable compensation. The Town contributed 0.29% of earnable compensation for Group I employees, 3.66% of earnable compensation for Group II fire and police department members, respectively. 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

Actuarial assumptions are the same in the Retirement System footnote.

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, 2019 was \$3,972,219, representing 0.91%.

For the year ended June 30, 2020, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$504,657. At June 30, 2020, 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	\$ 400,438	\$ -
Difference between expected and actual experience	-	(6,911)
Changes in proportion	-	(6,907)
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(4,463)</u>
Total	<u>\$ 400,438</u>	<u>\$ (18,281)</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, 2021.

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

Fiscal Year Ended:

2021	\$ (16,779)
2022	(2,961)
2023	307
2024	<u>1,152</u>
Total	\$ <u><u>(18,281)</u></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>
\$ 4,308,475	\$ 3,972,219	\$ 3,860,034

Healthcare Cost Trend Rate

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

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/(inflow)s, and the Town's proportionate share of the NHRS Medical Subsidy plan liability and related deferred outflows/inflows at June 30, 2020:

	<u>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>	
Town OPEB Plan	\$ 8,910,572	\$ 1,097,946	\$ (3,305,842)	\$ 240,850
Proportionate share of NHRS Medical Subsidy Plan	<u>3,972,219</u>	<u>400,438</u>	<u>(18,281)</u>	<u>504,657</u>
Total	\$ <u><u>12,882,791</u></u>	\$ <u><u>1,498,384</u></u>	\$ <u><u>(3,324,123)</u></u>	\$ <u><u>745,507</u></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 \$4.2 million toward this project and is still committed to pay approximately eight-hundred thousand dollars. This project has been put on hold by the State of New Hampshire because of the Coronavirus pandemic.

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 \$1,642,278 in encumbrances that will be honored in the next fiscal year.

22. Beginning Net Position Restatement

The beginning (July 1, 2019) net position of the Town has been restated as follows:

	Governmental <u>Activities</u>	Business-Type Activities/ <u>Enterprise Fund</u>	<u>Total</u>
As previously reported	\$ 41,205,489	\$ -	\$ 41,205,489
Restate for new Sewer Enterprise Fund	(24,056,095)	24,056,095	-
Restate for depreciation correction	<u>(909,550)</u>	<u>(39,057)</u>	<u>(948,607)</u>
As restated	<u>\$ 16,239,844</u>	<u>\$ 24,017,038</u>	<u>\$ 40,256,882</u>

23. 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, 2021. 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, 2022. 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
(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, 2020	June 30, 2019	0.71%	\$34,204,283	\$ 14,565,823	234.83%	65.59%
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%

Schedule is 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 (Unaudited)

New Hampshire Retirement System					
Fiscal <u>Year</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
June 30, 2020	\$ 3,093,546	\$ 3,093,546	\$ -	\$ 14,944,001	20.70%
June 30, 2019	\$ 3,093,138	\$ 3,093,138	\$ -	\$ 14,565,823	21.24%
June 30, 2018	\$ 3,043,600	\$ 3,043,600	\$ -	\$ 14,309,916	21.27%
June 30, 2017	\$ 2,644,855	\$ 2,644,855	\$ -	\$ 13,693,056	19.32%
June 30, 2016	\$ 2,592,978	\$ 2,592,978	\$ -	\$ 13,298,078	19.50%
June 30, 2015	\$ 2,538,386	\$ 2,538,386	\$ -	\$ 13,332,262	19.04%

Schedule is 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
(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 Total OPEB Liability</u>
June 30, 2020	June 30, 2019	0.91%	\$ 3,972,219	\$ 14,565,823	27.27%	7.75%
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%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</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, 2020	\$ 413,484	\$ 413,484	\$ -	\$ 14,944,001	2.77%	
June 30, 2019	\$ 407,050	\$ 407,050	\$ -	\$ 14,565,823	2.79%	
June 30, 2018	\$ 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
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 518,950	\$ 437,840	\$ 469,307	\$ 760,208
Interest on unfunded liability - time value of money	302,518	288,252	277,709	321,717
Differences between expected and actual experience	(519,920)	685,548	(605,038)	(4,107,331)
Changes of assumptions	667,184	(42,245)	(206,788)	(342,961)
Benefit payments, including refunds of member contributions	<u>(313,225)</u>	<u>(247,391)</u>	<u>(264,946)</u>	<u>(370,327)</u>
Net change in total OPEB liability	655,507	1,122,004	(329,756)	(3,738,694)
Total OPEB liability - beginning	<u>8,255,065</u>	<u>7,133,061</u>	<u>7,462,817</u>	<u>11,201,511</u>
Total OPEB liability - ending	<u>\$ 8,910,572</u>	<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.