



TOWN OF LONDONDERRY, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

Town of Londonderry, New Hampshire

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Londonderry, New Hampshire

Report on the Audit of the Financial Statements

Opinions

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 of Londonderry, New Hampshire (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Londonderry, New Hampshire, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Merrimack, New Hampshire
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Greenfield, Massachusetts
Ellsworth, Maine

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 April 14, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Merrimack, New Hampshire
April 14, 2023

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, 2022.

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 represent sewer operations.

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. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for the 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, or (3) the pricing policies of the activity establish fees or charges designed to recover costs including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, the Town's enterprise fund is 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 Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town's fiduciary funds consist of custodial funds, which account for resources held in a pure custodial capacity.

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$20,073,236, a change of \$3,268,987 in comparison to the prior year, and net position in business-type activities was \$26,153,931, a change of \$291,063 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$18,534,443, a change of \$(83,567) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,367,358, a change of (\$172,272) in comparison to the prior year.

Government-Wide Financial Analysis

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

| Summary of Net Position (in thousands) | | | | | | |
|---|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets: | | | | | | |
| Current and other assets | \$ 71,997 | \$ 72,925 | \$ 6,228 | \$ 5,334 | \$ 78,225 | \$ 78,259 |
| Capital assets | <u>62,881</u> | <u>63,675</u> | <u>20,102</u> | <u>20,782</u> | <u>82,983</u> | <u>84,457</u> |
| Total assets | 134,878 | 136,600 | 26,330 | 26,116 | 161,208 | 162,716 |
| Deferred outflows of resources | <u>10,752</u> | <u>13,556</u> | - | - | <u>10,752</u> | <u>13,556</u> |
| Total assets and deferred outflows of resources | <u>\$ 145,630</u> | <u>\$ 150,156</u> | <u>\$ 26,330</u> | <u>\$ 26,116</u> | <u>\$ 171,960</u> | <u>\$ 176,272</u> |
| Liabilities: | | | | | | |
| Other liabilities | \$ 6,072 | \$ 6,798 | \$ 176 | \$ 133 | \$ 6,248 | \$ 6,931 |
| Long-term liabilities | <u>58,554</u> | <u>74,675</u> | - | <u>120</u> | <u>58,554</u> | <u>74,795</u> |
| Total liabilities | 64,626 | 81,473 | 176 | 253 | 64,802 | 81,726 |
| Deferred inflows of resources | 60,931 | 51,879 | - | - | 60,931 | 51,879 |
| Net Position: | | | | | | |
| Net investment in capital assets | 52,391 | 51,778 | 20,102 | 20,662 | 72,493 | 72,440 |
| Restricted | 2,365 | 1,736 | - | - | 2,365 | 1,736 |
| Unrestricted | <u>(34,683)</u> | <u>(36,710)</u> | <u>6,052</u> | <u>5,201</u> | <u>(28,631)</u> | <u>(31,509)</u> |
| Total net position | <u>20,073</u> | <u>16,804</u> | <u>26,154</u> | <u>25,863</u> | <u>46,227</u> | <u>42,667</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 145,630</u> | <u>\$ 150,156</u> | <u>\$ 26,330</u> | <u>\$ 26,116</u> | <u>\$ 171,960</u> | <u>\$ 176,272</u> |

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$46,227,167, a change of \$3,560,050 in comparison to the prior year.

The largest portion of net position, \$72,492,817, 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, \$2,364,795, 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 (\$28,630,445) primarily resulting from unfunded pension and OPEB liabilities.

| Change in Net Position (in thousands) | | | | | | |
|--|--------------|-----------|---------------|-----------|-----------|-----------|
| | Governmental | | Business-Type | | Total | |
| | Activities | | Activities | | | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 5,828 | \$ 4,596 | \$ 2,525 | \$ 2,412 | \$ 8,353 | \$ 7,008 |
| Operating grants and contributions | 1,804 | 3,432 | - | - | 1,804 | 3,432 |
| General revenues: | | | | | | |
| Property taxes | 18,320 | 19,244 | - | - | 18,320 | 19,244 |
| Interest, penalties and other taxes | 1,307 | 956 | - | - | 1,307 | 956 |
| Motor vehicle registrations | 9,560 | 9,204 | - | - | 9,560 | 9,204 |
| Grants and contributions not restricted to specific programs | 1,959 | 1,590 | - | - | 1,959 | 1,590 |
| Capital contributions | - | - | 388 | 813 | 388 | 813 |
| Investment income | 55 | 491 | - | - | 55 | 491 |
| Other | 100 | 189 | - | - | 100 | 189 |
| Total revenues | 38,933 | 39,702 | 2,913 | 3,225 | 41,846 | 42,927 |
| Expenses | | | | | | |
| General government | 3,658 | 4,230 | - | - | 3,658 | 4,230 |
| Public safety | 21,789 | 25,289 | - | - | 21,789 | 25,289 |
| Highways and streets | 4,902 | 5,276 | - | - | 4,902 | 5,276 |
| Sanitation | 2,118 | 2,154 | - | - | 2,118 | 2,154 |
| Health and welfare | 129 | 108 | - | - | 129 | 108 |
| Culture and recreation | 1,925 | 1,916 | - | - | 1,925 | 1,916 |
| Conservation | 40 | 12 | - | - | 40 | 12 |
| Economic development | 747 | 461 | - | - | 747 | 461 |
| Interest | 437 | 502 | - | - | 437 | 502 |
| Sewer services | - | - | 2,541 | 2,379 | 2,541 | 2,379 |
| Total expenses | 35,745 | 39,948 | 2,541 | 2,379 | 38,286 | 42,327 |
| Change in net position before transfers | 3,188 | (246) | 372 | 846 | 3,560 | 600 |
| Transfers in (out) | 81 | 97 | (81) | (97) | - | - |
| Change in net position | 3,269 | (149) | 291 | 749 | 3,560 | 600 |
| Net position - beginning of year, as restated | 16,804 | 16,953 | 25,863 | 25,114 | 42,667 | 42,067 |
| Net position - end of year | \$ 20,073 | \$ 16,804 | \$ 26,154 | \$ 25,863 | \$ 46,227 | \$ 42,667 |

Governmental Activities

Total governmental revenues for the year ending June 30, 2022 decreased by 2% in comparison to the year ending June 30, 2021 while total expenses decreased 11% in comparison to the previous year. The decrease in expenses resulted primarily from the decrease in pension expense due to the prior year measurement date for the Town's share of the New Hampshire Retirement System net pension liability, when investment returns exceeded expectations. The opposite trend is expected for the next fiscal reporting year. This is the primary reason for the public safety expenses decrease from the previous year. The decrease in general government expenses resulted primary from savings in salaries due to retirements.

Business-Type Activities

Total business-type revenues for the year ending June 30, 2022 decreased by 10% in comparison the year ending June 30, 2021 while total expenses increased 7% in comparison to the previous year. The decrease in revenues resulted primarily from the decrease in sewer hookup fees assessed and reported as capital contributions. The increase in expenses resulted primary from higher costs related to usage services and repairs and maintenance.

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 the Town's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,367,358 while total fund balance was \$14,214,418. Unspent appropriations and appropriation carryforwards contributed to the increase in our total fund balance. Our unassigned fund balance decreased by 3% from the prior year primarily because the use of fund balance as a funding source to reduce the tax rate and for other purposes, as well as positive budgetary results (refer to page 58). Our committed fund balance for next year's projects per our March 2022 Town Meeting increased to \$622,800 and committed fund balance related to capital reserves increased due to increased funding of the reserves. Our assigned fund balance for potential tax abatements remained the same while assigned fund balance related to budgetary encumbrances increased due to the carryover of prior year encumbrances.

The recommended level for unassigned fund balance of the General Fund, per the Town's financial management policy, is to retain not less than 5% and not higher than 7% of the gross municipal General Fund appropriations. At the end of June 30, 2022, the unassigned fund balance of the General Fund exceeded the recommended level. Refer to the table below for fund balance as a percentage of gross municipal appropriations.

| <u>General Fund</u> | <u>6/30/22</u> | <u>6/30/21</u> | <u>Change</u> | <u>Gross Municipal Appropriations</u> | <u>% of Gross Appropriations</u> |
|---------------------------------|----------------|----------------|---------------|---------------------------------------|----------------------------------|
| Unassigned fund balance | \$ 5,367,358 | \$ 5,539,630 | \$ (172,272) | \$ 37,765,734 | 14.2% |
| Total fund balance ¹ | \$ 14,214,418 | \$ 13,459,498 | \$ 754,920 | \$ 37,765,734 | 37.6% |

¹Includes capital reserve funds.

The total fund balance of the General Fund changed during the current fiscal year as a result of the following:

Use of fund balance:

| | |
|---|-------------------|
| For transfers to capital reserve funds | \$ (180,000) |
| For the reduction of taxes | (1,000,000) |
| For debt service | (105,398) |
| For capital articles | (250,000) |
| Revenues less than budget | (831,489) * |
| Expenditures less than budget | 1,748,560 * |
| Excess of current year encumbrances over prior year | 417,318 |
| Capital reserve fund changes | 954,151 |
| Other results | <u>1,778</u> |
| Total | <u>\$ 754,920</u> |

* See General Fund Budgetary Highlights Section for additional information

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

| | <u>6/30/22</u> | <u>6/30/21</u> | <u>Change</u> |
|---------------------|---------------------|---------------------|-------------------|
| Roadway maintenance | \$ 2,305,489 | \$ 1,692,733 | \$ 612,756 |
| Fire equipment | 426,818 | 322,264 | 104,554 |
| Cable equipment | 214,282 | 189,576 | 24,706 |
| Other | <u>666,597</u> | <u>454,462</u> | <u>212,135</u> |
| Total | <u>\$ 3,613,186</u> | <u>\$ 2,659,035</u> | <u>\$ 954,151</u> |

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$(838,487) primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Fund

Proprietary fund statements 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.

Unrestricted net position of the enterprise fund at the year amounted to \$6,052,187, a change of \$851,577 in comparison to the prior year, resulting primarily from \$388,278 in assessment and connection fees.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted 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 and expenditures include the following:

- Expenditures coming in below budget was due to several factors. The Town reviewed expenditures on a closer level as the concern of an 8% or more inflation rate loomed over the economy. In addition, there was difficulty hiring for several departments, which led to unspent appropriations in salaries and benefits.
- Licenses and permits revenue was over budget by \$1,194,357. This was primarily due to an increase in building permits and revenue (\$561,422) as well as an increase in motor vehicle registration fees (\$610,393). Property taxes came in under budget by \$2,048,103 primarily due to abatements exceeding budget.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$82,982,565 (net of accumulated depreciation/amortization), a change of (\$1,474,225). 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 38 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 bonds and notes payable were \$10,918,200, all of which were backed by the full faith and credit of the Town. In addition, the Town had outstanding equipment notes and lease payable totaling \$2,516,369.

Additional information on the Town's long-term debt can be found in Note 13 on pages 40 – 43 of this report.

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 Town'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, 2022

| | 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 | \$ 61,045,111 | \$ - | \$ 61,045,111 |
| Investments | 1,455,392 | - | 1,455,392 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 13,542,747 | - | 13,542,747 |
| User fees | 1,167,473 | 53,183 | 1,220,656 |
| Intergovernmental | 856,263 | - | 856,263 |
| Internal balances | (6,174,970) | 6,174,970 | - |
| Property held for resale | 86,297 | - | 86,297 |
| Prepaid items | <u>18,201</u> | <u>-</u> | <u>18,201</u> |
| Total current assets | 71,996,514 | 6,228,153 | 78,224,667 |
| Noncurrent: | | | |
| Capital assets: | | | |
| Land and construction in progress | 18,615,261 | 190,805 | 18,806,066 |
| Other capital assets, net of accumulated depreciation | <u>44,265,559</u> | <u>19,910,940</u> | <u>64,176,499</u> |
| Total noncurrent assets | <u>62,880,820</u> | <u>20,101,745</u> | <u>82,982,565</u> |
| Total Assets | 134,877,334 | 26,329,898 | 161,207,232 |
| Deferred Outflows of Resources | | | |
| Related to pension | 9,064,039 | - | 9,064,039 |
| Related to OPEB | <u>1,688,415</u> | <u>-</u> | <u>1,688,415</u> |
| Total Deferred Outflows of Resources | <u>10,752,454</u> | <u>-</u> | <u>10,752,454</u> |
| Total Assets and Deferred Outflows of Resources | \$ <u>145,629,788</u> | \$ <u>26,329,898</u> | \$ <u>171,959,686</u> |

(continued)

(continued)

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Statement of Net Position
June 30, 2022

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | <u>Total</u> |
|--|-----------------------------------|------------------------------------|-----------------------|
| Liabilities, Deferred Inflows of Resources and Net Position | | | |
| Liabilities | | | |
| Current: | | | |
| Accounts payable | \$ 1,463,959 | \$ 175,967 | \$ 1,639,926 |
| Accrued liabilities | 418,419 | - | 418,419 |
| Tax refunds payable | 1,288,390 | - | 1,288,390 |
| Unearned revenue | 1,437,580 | - | 1,437,580 |
| Due to custodial fund | 4,443 | - | 4,443 |
| Held for performance guarantees | 976,678 | - | 976,678 |
| Other liabilities | 482,459 | - | 482,459 |
| Current portion of long-term liabilities: | | | |
| Bonds and notes payable | 1,555,800 | - | 1,555,800 |
| Equipment note payable | 491,441 | - | 491,441 |
| Lease payable | 253,276 | - | 253,276 |
| Compensated absences liability | 300,000 | - | 300,000 |
| Landfill post-closure liability | 19,433 | - | 19,433 |
| Total current liabilities | 8,691,878 | 175,967 | 8,867,845 |
| Noncurrent: | | | |
| Bonds and notes payable, net of current portion | 9,362,400 | - | 9,362,400 |
| Equipment notes payable, net of current portion | 1,771,652 | - | 1,771,652 |
| Compensated absences liability, net of current portion | 1,707,361 | - | 1,707,361 |
| Landfill post-closure liability, net of current portion | 139,689 | - | 139,689 |
| Net pension liability | 32,098,356 | - | 32,098,356 |
| Net OPEB liability | 10,854,465 | - | 10,854,465 |
| Total non-current liabilities | 55,933,923 | - | 55,933,923 |
| Total Liabilities | 64,625,801 | 175,967 | 64,801,768 |
| Deferred Inflows of Resources | | | |
| Related to pension | 9,784,089 | - | 9,784,089 |
| Related to OPEB | 4,574,309 | - | 4,574,309 |
| Related to taxes | 12,262,899 | - | 12,262,899 |
| Taxes collected in advance | 34,309,454 | - | 34,309,454 |
| Total Deferred Inflows of Resources | 60,930,751 | - | 60,930,751 |
| Net Position | | | |
| Net investment in capital assets | 52,391,073 | 20,101,744 | 72,492,817 |
| Restricted for: | | | |
| Cemetery: | | | |
| Nonexpendable | 1,466,816 | - | 1,466,816 |
| Expendable | 150,599 | - | 150,599 |
| Transportation | 602,199 | - | 602,199 |
| Library | 59,263 | - | 59,263 |
| Other purposes | 85,918 | - | 85,918 |
| Unrestricted | (34,682,632) | 6,052,187 | (28,630,445) |
| Total Net Position | 20,073,236 | 26,153,931 | 46,227,167 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ <u>145,629,788</u> | \$ <u>26,329,898</u> | \$ <u>171,959,686</u> |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Statement of Activities
For the Year Ended June 30, 2022

| | | 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 | \$ 3,657,644 | \$ 243,435 | \$ 88,510 | \$ - | \$ (3,325,699) | \$ - | \$ (3,325,699) |
| Public safety | 21,789,086 | 4,796,462 | 100,352 | - | (16,892,272) | - | (16,892,272) |
| Highways and streets | 4,902,284 | - | 607,055 | - | (4,295,229) | - | (4,295,229) |
| Sanitation | 2,118,102 | 207,276 | 114,736 | - | (1,796,090) | - | (1,796,090) |
| Health and welfare | 129,480 | - | - | - | (129,480) | - | (129,480) |
| Culture and recreation | 1,924,858 | 580,863 | 893,073 | - | (450,922) | - | (450,922) |
| Conservation | 40,204 | - | - | - | (40,204) | - | (40,204) |
| Economic development | 746,666 | - | - | - | (746,666) | - | (746,666) |
| Interest | 436,952 | - | - | - | (436,952) | - | (436,952) |
| Total Governmental Activities | 35,745,276 | 5,828,036 | 1,803,726 | - | (28,113,514) | - | (28,113,514) |
| Business-Type Activities | | | | | | | |
| Sewer | 2,541,366 | 2,525,582 | - | 388,278 | - | 372,494 | 372,494 |
| Total | \$ 38,286,642 | \$ 8,353,618 | \$ 1,803,726 | \$ 388,278 | (28,113,514) | 372,494 | (27,741,020) |
| General Revenues and Transfers | | | | | | | |
| Property taxes | | | | | 18,320,037 | - | 18,320,037 |
| Interest, penalties and other taxes | | | | | 1,306,938 | - | 1,306,938 |
| Motor vehicle registrations | | | | | 9,560,394 | - | 9,560,394 |
| Grants and contributions not restricted to specific programs | | | | | 1,958,923 | - | 1,958,923 |
| Investment income | | | | | 55,135 | - | 55,135 |
| Miscellaneous | | | | | 99,643 | - | 99,643 |
| Transfers, net | | | | | 81,431 | (81,431) | - |
| Total general revenues | | | | | 31,382,501 | (81,431) | 31,301,070 |
| Change in net position | | | | | 3,268,987 | 291,063 | 3,560,050 |
| Net Position | | | | | | | |
| Beginning of year, as restated | | | | | 16,804,249 | 25,862,868 | 42,667,117 |
| End of year | | | | | \$ 20,073,236 | \$ 26,153,931 | \$ 46,227,167 |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
June 30, 2022

| | <u>General Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-----------------------------|--|---|
| Assets | | | |
| Cash and short-term investments | \$ 59,328,859 | \$ 1,716,253 | \$ 61,045,112 |
| Investments | - | 1,455,392 | 1,455,392 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 13,185,557 | 357,190 | 13,542,747 |
| User fees | 649,120 | 518,353 | 1,167,473 |
| Intergovernmental | 196,642 | 659,621 | 856,263 |
| Due from other funds | - | 1,532,082 | 1,532,082 |
| Property held for resale | 86,297 | - | 86,297 |
| Prepaid items | <u>18,201</u> | <u>-</u> | <u>18,201</u> |
| Total Assets | \$ <u>73,464,676</u> | \$ <u>6,238,891</u> | \$ <u>79,703,567</u> |
| Liabilities | | | |
| Accounts payable | \$ 1,449,383 | \$ 14,577 | \$ 1,463,960 |
| Accrued liabilities | 535,728 | - | 535,728 |
| Tax refunds payable | 1,288,390 | - | 1,288,390 |
| Unearned revenue | 48,465 | 1,389,114 | 1,437,579 |
| Due to other funds | 7,191,877 | 515,175 | 7,707,052 |
| Due to custodial fund | 4,443 | - | 4,443 |
| Held for performance guarantees | 976,678 | - | 976,678 |
| Other liabilities | <u>482,459</u> | <u>-</u> | <u>482,459</u> |
| Total Liabilities | 11,977,423 | 1,918,866 | 13,896,289 |
| Deferred Inflows of Resources | | | |
| Taxes collected in advance | 34,309,454 | - | 34,309,454 |
| Unavailable revenues | <u>12,963,381</u> | <u>-</u> | <u>12,963,381</u> |
| Total Deferred Inflows of Resources | 47,272,835 | - | 47,272,835 |
| Fund Balances | | | |
| Nonspendable | 104,498 | 1,466,816 | 1,571,314 |
| Restricted | 210,797 | 1,264,728 | 1,475,525 |
| Committed | 4,235,986 | 1,631,725 | 5,867,711 |
| Assigned | 4,295,779 | - | 4,295,779 |
| Unassigned | <u>5,367,358</u> | <u>(43,244)</u> | <u>5,324,114</u> |
| Total Fund Balances | <u>14,214,418</u> | <u>4,320,025</u> | <u>18,534,443</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ <u>73,464,676</u> | \$ <u>6,238,891</u> | \$ <u>79,703,567</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, 2022

| | |
|--|-----------------------------|
| Total Governmental Fund Balances | \$ 18,534,443 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 62,880,820 |
| Tax receivables that are not available to pay for current period expenditures and, therefore, are deferred in the funds, but are recognized as revenue in governmental activities. | 700,482 |
| 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 | 9,064,039 |
| Deferred inflows | (9,784,089) |
| Deferred inflows and outflows of OPEB resources are not financial resources nor are they available to pay current-period expenditures. OPEB related inflows and outflows consist of: | |
| Deferred outflows | 1,688,415 |
| Deferred inflows | (4,574,309) |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | (182,692) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds: | |
| Bonds and notes payable | (10,918,200) |
| Equipment notes payable | (2,263,093) |
| Lease payable | (253,276) |
| Compensated absences liability | (1,707,361) |
| Landfill liability | (159,122) |
| Net pension liability | (32,098,356) |
| Net OPEB liability | <u>(10,854,465)</u> |
| Net Position of Governmental Activities | \$ <u>20,073,236</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, 2022

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| Revenues | | | |
| Property taxes | \$ 18,332,041 | \$ - | \$ 18,332,041 |
| Interest, penalties and other taxes | 930,598 | 458,320 | 1,388,918 |
| Licenses and permits | 10,657,106 | - | 10,657,106 |
| Intergovernmental | 2,699,087 | 515,451 | 3,214,538 |
| Charges for services | 1,978,859 | 2,751,166 | 4,730,025 |
| Investment income (loss) | 105,723 | (50,588) | 55,135 |
| Other revenues | <u>393,372</u> | <u>173,704</u> | <u>567,076</u> |
| Total Revenues | 35,096,786 | 3,848,053 | 38,944,839 |
| Expenditures | | | |
| General government | 3,493,523 | 65,997 | 3,559,520 |
| Public safety | 20,017,059 | 2,903,047 | 22,920,106 |
| Highways and streets | 3,830,491 | - | 3,830,491 |
| Sanitation | 2,117,487 | 20,148 | 2,137,635 |
| Health and welfare | 129,480 | - | 129,480 |
| Culture and recreation | 1,672,651 | 158,273 | 1,830,924 |
| Conservation | 2,704 | 37,500 | 40,204 |
| Economic development | 466,526 | - | 466,526 |
| Capital outlay | 881,554 | 1,411,192 | 2,292,746 |
| Debt service | <u>2,406,048</u> | <u>-</u> | <u>2,406,048</u> |
| Total Expenditures | <u>35,017,523</u> | <u>4,596,157</u> | <u>39,613,680</u> |
| Excess (deficiency) of revenues over (under) expenditures | 79,263 | (748,104) | (668,841) |
| Other Financing Sources (Uses) | | | |
| Issuance of leases | 503,843 | - | 503,843 |
| Transfers in | 181,964 | 10,150 | 192,114 |
| Transfers out | <u>(10,150)</u> | <u>(100,533)</u> | <u>(110,683)</u> |
| Total Other Financing Sources (Uses) | <u>675,657</u> | <u>(90,383)</u> | <u>585,274</u> |
| Net changes in fund balances | 754,920 | (838,487) | (83,567) |
| Fund Balances, beginning of year | <u>13,459,498</u> | <u>5,158,512</u> | <u>18,618,010</u> |
| Fund Balances, end of year | \$ <u>14,214,418</u> | \$ <u>4,320,025</u> | \$ <u>18,534,443</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, 2022

| | |
|--|----------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ (83,567) |
| 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 | 2,916,410 |
| Depreciation | (3,710,244) |
| 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 property taxes accounts receivable differ between the two statements. | |
| | (11,882) |
| Repayment of principal on bonds, notes and leases is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | |
| | 2,525,690 |
| The issuance of long-term debt 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 leases | (503,843) |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. | |
| | 37,729 |
| 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: | |
| Change in pension expense from GASB 68 | 1,527,970 |
| Change in OPEB expense from GASB 75 | 584,746 |
| 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 governmental funds. | |
| Compensated absences liability | (33,555) |
| Landfill post-closure liability | 19,533 |
| Change in Net Position of Governmental Activities | \$ <u>3,268,987</u> |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Proprietary Fund
Statement of Net Position
June 30, 2022

| | |
|---|------------------------------------|
| | Sewer Enterprise <u>Fund</u> |
| Assets | |
| Current: | |
| User fees receivable | \$ 53,183 |
| Due from other fund | <u>6,174,970</u> |
| Total current assets | 6,228,153 |
| Noncurrent: | |
| Capital assets: | |
| Land and construction in progress | 190,805 |
| Capital assets, net of accumulated depreciation | <u>19,910,940</u> |
| Total noncurrent assets | <u>20,101,745</u> |
| Total Assets | <u><u>\$ 26,329,898</u></u> |
| Liabilities and Net Position | |
| Liabilities | |
| Current: | |
| Accounts payable | \$ 175,967 |
| Net Position | |
| Net investment in capital assets | 20,101,744 |
| Unrestricted | <u>6,052,187</u> |
| Total Net Position | <u>26,153,931</u> |
| Total Liabilities and Net Position | <u><u>\$ 26,329,898</u></u> |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

| | Sewer Enterprise Fund |
|---|-----------------------------|
| Operating Revenues | |
| Charges for services | \$ <u>2,525,582</u> |
| Total Operating Revenues | 2,525,582 |
| Operating Expenses | |
| Personnel services | 165,613 |
| Non-personnel services | 1,665,990 |
| Depreciation | <u>706,763</u> |
| Total Operating Expenses | <u>2,538,366</u> |
| Operating loss | (12,784) |
| Nonoperating Expenses | |
| Interest expense | <u>(3,000)</u> |
| Loss Before Contributions and Transfers | (15,784) |
| Capital contributions | 388,278 |
| Transfers out | <u>(81,431)</u> |
| Change in Net Position | 291,063 |
| Net Position at Beginning of Year | <u>25,862,868</u> |
| Net Position at End of Year | \$ <u><u>26,153,931</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, 2022

| | Sewer Enterprise Fund |
|--|-----------------------------|
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 2,532,516 |
| Payments to employees for salaries and related benefits | (165,613) |
| Payments to suppliers for goods and services | (1,623,591) |
| Payments for interfund services provided | <u>(512,631)</u> |
| Net Cash Provided By Operating Activities | 230,681 |
| Cash Flows From Noncapital Financing Activities: | |
| Transfers to other funds | <u>(81,431)</u> |
| Net Cash Used For Noncapital Financing Activities | (81,431) |
| Cash Flows From Capital and Related Financing Activities | |
| Capital contributions | 388,278 |
| Acquisition and construction of capital assets | (26,250) |
| Payments for interfund services provided | (388,278) |
| Principal payments on bonds and loans | (120,000) |
| Interest expense | <u>(3,000)</u> |
| Net Cash Used For Capital and Related Financing Activities | <u>(149,250)</u> |
| 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 loss | \$ (12,784) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Depreciation | 706,763 |
| Changes in assets and liabilities: | |
| User fees receivable | 6,934 |
| Accounts payable | 42,399 |
| Interfund receivables and payables | <u>(512,631)</u> |
| Net Cash Provided By Operating Activities | \$ <u><u>230,681</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, 2022

| | Custodial <u>Funds</u> |
|---------------------------------|---------------------------|
| Assets | |
| Cash and short-term investments | \$ 508,476 |
| Due from primary government | <u>4,443</u> |
| Total Assets | \$ <u>512,919</u> |
| Net Position | |
| Restricted for: | |
| Other governments | \$ <u>512,919</u> |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

| | Custodial <u>Funds</u> |
|---|---------------------------|
| Additions | |
| Taxes collected for Londonderry School District | \$ 67,278,946 |
| Taxes collected for Rockingham County | 4,064,173 |
| Fees collected for State of New Hampshire | 2,179,880 |
| Contributions from Londonderry School District | <u>826,377</u> |
| Total Additions | 74,349,376 |
| Deductions | |
| Payments of taxes to Londonderry School District | 67,278,946 |
| Payment of taxes to Rockingham County | 4,064,173 |
| Payment of fees to State of New Hampshire | 2,186,641 |
| Payments on behalf of Londonderry School District | <u>919,362</u> |
| Total Deductions | <u>74,449,122</u> |
| Change in Net Position | (99,746) |
| Restricted Net Position | |
| Beginning of year | <u>612,665</u> |
| End of year | \$ <u><u>512,919</u></u> |

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

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Notes to Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Londonderry, New Hampshire (the Town) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies:

Reporting Entity

The Town is a municipal corporation governed by a 5-member elected Town Council. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. 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. 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 Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the 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 the 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 the Custodial Funds as fiduciary funds. The Custodial Funds account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds represent taxes and fees collected on behalf of other governments and the Londonderry School District's capital reserve funds.

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, money markets and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments".

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the New Hampshire Banking Commission and Advisory Committee. The portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost. Participation units of the NHDIP are considered short-term for financial presentation purposes due to their high liquidity.

Investments are carried at fair value.

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, and in the proprietary fund 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/amortized 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 and machinery | 5 |
| Right to use vehicles | 5 |
| Office equipment | 5 |
| Computer equipment | 5 |
| Software | 3 |

Leases (Lessee)

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The Town uses the interest rate charged by the lessor as the discount rate.

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 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 Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term liabilities 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 and deferred inflows. 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.

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.

Nonspendable

Represents amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

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.

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.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose.

Unassigned

Represents amounts that are available to be spent 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 use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual Town Meeting, the 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.

Deficit Fund Equity

The deficit in the Town Grants fund of \$43,244 (included in nonmajor governmental funds) as of June 30, 2022 will be eliminated through future grants.

3. Deposits and Investments

New Hampshire RSA 41:29 places 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 New Hampshire Banks or banks outside the State of New Hampshire if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22.

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 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, 2022, \$323,012 of the Town's bank balance of \$54,690,494 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by pledging bank's trust department not in the Town's name. Additionally, \$721,956 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, 2022, the Trust Funds' investment in government obligations institutional portfolio of \$162,023 included at least 99.5% in cash, U.S. Government securities and/or repurchased agreements that were 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 investments as of June 30, 2022:

| <u>Investment Type</u> | <u>Amount</u> |
|----------------------------|---------------------|
| Corporate bonds | \$ 224,442 |
| Corporate equities | 921,256 |
| Federal agency obligations | 94,904 |
| U.S. Treasury notes | 84,441 |
| Mortgage backed securities | 47,789 |
| Fixed income mutual funds | 53,410 |
| Alternatives | <u>29,150</u> |
| Total investments | <u>\$ 1,455,392</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 Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The investment policy follows the guidelines of New Hampshire RSA 31.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and 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 in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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 Town's policy does not specifically address investment credit risk.

U.S. Treasury notes have an implied rating of AAA. The remaining fixed income investments were rated as follows by Standard & Poor's at June 30, 2022:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Rating as of Year-End</u> | | |
|----------------------------|-------------------|------------------------------|-------------------|-------------------|
| | | <u>AA+ - AA</u> | <u>AA- - A</u> | <u>BBB+ - B</u> |
| Corporate bonds | \$ 224,442 | \$ 25,261 | \$ 149,579 | \$ 49,602 |
| Federal agency obligations | 94,904 | 94,904 | - | - |
| Mortgage backed securities | 47,789 | 47,789 | - | - |
| Fixed income mutual funds | 53,410 | - | - | 53,410 |
| Total | <u>\$ 420,545</u> | <u>\$ 167,954</u> | <u>\$ 149,579</u> | <u>\$ 103,012</u> |

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude an investment in a single issuer. The Town does not place limits on the amount that may be invested in any one issuer. At June 30, 2022, there were no investments in any one issuer that exceeded 5% of total investments.

Investment Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policy 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 investments to market interest rate fluctuations were as follows at June 30, 2022:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Effective Duration (Years)</u> |
|----------------------------|-------------------|-----------------------------------|
| Debt-related securities: | | |
| Corporate bonds | \$ 224,442 | 3.15 |
| Federal agency securities | 94,904 | 3.70 |
| U.S. Treasury notes | 84,441 | 4.78 |
| Mortgage backed securities | 47,789 | 1.65 |
| Fixed income mutual funds | 53,410 | 8.83 |
| Total | <u>\$ 504,986</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, 2022, 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 an 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 are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

The Town had the following fair value measurements as of June 30, 2022:

| <u>Description</u> | <u>Fair Value Measurements Using:</u> | | | |
|----------------------------------|---------------------------------------|--|--|--|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Investments by fair value level: | | | | |
| Debt securities: | | | | |
| Corporate bonds | \$ 224,442 | \$ - | \$ 224,442 | \$ - |
| Federal agency obligations | 94,904 | - | 94,904 | - |
| U.S. Treasury notes | 84,441 | 84,441 | - | - |
| Mortgage backed securities | 47,789 | - | 47,789 | - |
| Fixed income mutual funds | 53,410 | - | 53,410 | - |
| Equity securities | 921,256 | 921,256 | - | - |
| Alternatives | 29,150 | 29,150 | - | - |
| Total | \$ <u>1,455,392</u> | \$ <u>1,034,847</u> | \$ <u>420,545</u> | \$ <u>-</u> |

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

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

4. **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, 2022 consisted of the following, net of an estimated allowance for doubtful accounts:

| | Gross Amount | Allowance for Doubtful Accounts | Net Amount |
|----------------------|----------------------|--|----------------------|
| Real estate taxes | \$ 12,262,899 | \$ - | \$ 12,262,899 |
| Tax liens | 954,017 | (79,357) | 874,660 |
| Tax deferrals | <u>47,998</u> | <u>-</u> | <u>47,998</u> |
| Total property taxes | <u>\$ 13,622,104</u> | <u>\$ (79,357)</u> | <u>\$ 13,542,747</u> |

Taxes Collected for Others

The Town collects property taxes for the Londonderry School District and for Rockingham County. Payments to the Londonderry School District are normally made throughout the year and payment to the Rockingham 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 reports the following user fees receivable at June 30, 2022:

| | Gross Amount | Allowance for Doubtful Accounts | Net Amount |
|-----------------------------------|---------------------|---------------------------------------|---------------------|
| Ambulance fees | \$ 857,942 | \$ (250,000) | \$ 607,942 |
| Police detail and contracted fees | 518,353 | - | 518,353 |
| Other receivables | <u>41,178</u> | <u>-</u> | <u>41,178</u> |
| Total | <u>\$ 1,417,473</u> | <u>\$ (250,000)</u> | <u>\$ 1,167,473</u> |

The Town reports the sewer fee receivables in user fees receivable in the enterprise fund. 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.

6. Intergovernmental Receivables

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

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. At June 30, 2022, balances in interfund receivable and payable accounts were as follows:

| <u>Fund</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|---|---------------------------------|-------------------------------|
| General Fund | \$ - | \$ 7,191,877 |
| Major Sewer Enterprise Fund | 6,174,970 | - |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| Police outside detail | - | 108,013 |
| Police airport division | - | 391,827 |
| Conservation commission | 2,457 | - |
| Reclamation fund | - | 15,335 |
| Town grants | 691,017 | - |
| Grants | 2,651 | - |
| Other special revenue funds | 74,563 | - |
| Capital Project Funds: | | |
| Exit 4A | 366,749 | - |
| Emergency Communications Systems Upgrade | - | - |
| Rail Trail | 394,645 | - |
| Subtotal Nonmajor Governmental Funds | <u>1,532,082</u> | <u>515,175</u> |
| Total | <u>\$ 7,707,052</u> | <u>\$ 7,707,052</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 | \$ 181,964 | \$ 10,150 |
| Major Sewer Enterprise Fund | - | 81,431 |
| Nonmajor Governmental Funds: | | |
| Special Revenue Funds: | | |
| Police airport division | - | 83,033 |
| Other special funds | 10,150 | - |
| Permanent funds | - | 17,500 |
| Subtotal Nonmajor Governmental Funds | 10,150 | 100,533 |
| Total | \$ 192,114 | \$ 192,114 |

The Sewer Fund transfer was made to reimburse costs incurred in the General Fund. Police airport division reimbursed the general fund for administrative fee. 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 assets activity for the year ended June 30, 2022 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-----------|------------|-------------------|
| Governmental Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | \$ 25,240 | \$ - | \$ - | \$ 25,240 |
| Machinery, vehicles, and equipment | 12,572 | 210 | (333) | 12,449 |
| Right to use machinery, vehicles, and equipment | - | 504 | - | 504 |
| Intangibles | 729 | - | - | 729 |
| Infrastructure | 58,685 | 3,176 | - | 61,861 |
| Improvements other than buildings | 1,311 | - | - | 1,311 |
| Total capital assets, being depreciated | 98,537 | 3,890 | (333) | 102,094 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings and building improvements | (7,578) | (632) | - | (8,210) |
| Machinery, vehicles, and equipment | (9,699) | (754) | 333 | (10,120) |
| Right to use machinery, vehicles, and equipment | - | (8) | - | (8) |
| Intangibles | (699) | (20) | - | (719) |
| Infrastructure | (35,759) | (2,197) | - | (37,956) |
| Improvements other than buildings | (717) | (99) | - | (816) |
| Total accumulated depreciation/amortization | (54,452) | (3,710) | 333 | (57,829) |
| Total capital assets, being depreciated, net | 44,085 | 180 | - | 44,265 |
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | 15,300 | 1,411 | - | 16,711 |
| Construction in progress | 4,290 | 73 | (2,458) | 1,905 |
| Total capital assets, not being depreciated | 19,590 | 1,484 | (2,458) | 18,616 |
| Governmental activities capital assets, net | \$ 63,675 | \$ 1,664 | \$ (2,458) | \$ 62,881 |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 3,742 | \$ - | \$ - | \$ 3,742 |
| Machinery, equipment, and furnishings | 201 | 26 | - | 227 |
| Infrastructure | 31,458 | - | - | 31,458 |
| Improvements other than buildings | 4 | - | - | 4 |
| Total capital assets, being depreciated | 35,405 | 26 | - | 35,431 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (413) | (94) | - | (507) |
| Machinery, equipment, and furnishings | (201) | (2) | - | (203) |
| Infrastructure | (14,197) | (611) | - | (14,808) |
| Improvements other than buildings | (2) | - | - | (2) |
| Total accumulated depreciation | (14,813) | (707) | - | (15,520) |
| Total capital assets, being depreciated, net | 20,592 | (681) | - | 19,911 |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | 191 | - | - | 191 |
| Business-type activities capital assets, net | \$ 20,783 | \$ (681) | \$ - | \$ 20,102 |

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

| | |
|----------------------------------|---------------------|
| Governmental Activities | |
| General government | \$ 209,061 |
| Public safety | 2,042,818 |
| Highways and streets | 1,329,163 |
| Culture and recreation | 129,105 |
| Economic development | <u>97</u> |
| Total governmental activities | \$ <u>3,710,244</u> |
| Business-Type Activities: | |
| Sewer | \$ <u>706,763</u> |

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows 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. Accrued Liabilities

Accrued liabilities on the governmental fund Balance Sheet primarily consist of accrued payroll and the current portion of compensated absences liability, while accrued liabilities on the Statement of Net Position include accrued payroll and interest on long-term debt at June 30, 2022.

11. 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.

12. Other Liabilities

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

13. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds (including direct placements) to provide funds for the construction of major capital facilities and roadway improvements and expansions. General obligation bonds outstanding are as follows:

| <u>Governmental Activities</u> | <u>Serial Maturities Through</u> | <u>Interest Rate %</u> | <u>Amount Outstanding as of 6/30/22</u> |
|---|---|-----------------------------------|--|
| Public offering bonds: | | | |
| Multi-purpose bond | 07/01/23 | 3.83% | \$ 1,360,000 |
| Exit 4A (2018) | 10/01/29 | 2.35% | 875,000 |
| Exit 4A (2019) and Central Fire Station | 01/15/39 | 3.06% | <u>7,215,000</u> |
| | Total public offering bonds | | <u>9,450,000</u> |
| Direct placement bonds: | | | |
| Refunding bonds | 08/15/26 | 2.00% | 1,005,000 |
| Exit 4A (2016) | 03/01/26 | 3.49% | <u>463,200</u> |
| | Total direct placement bonds | | <u>1,468,200</u> |
| Total Governmental Activities | | | <u>\$ 10,918,200</u> |

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2022 were as follows:

| <u>Fiscal Year</u> | <u>Public Offering Bonds</u> | | <u>Direct Placement Bonds</u> | | <u>Total</u> |
|---------------------------|-------------------------------------|------------------------|--------------------------------------|------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2023 | \$ 1,230,000 | \$ 364,638 | \$ 325,800 | \$ 34,166 | \$ 1,954,604 |
| 2024 | 1,230,000 | 310,168 | 320,800 | 25,974 | 1,886,942 |
| 2025 | 550,000 | 269,794 | 315,800 | 17,883 | 1,153,477 |
| 2026 | 550,000 | 243,856 | 310,800 | 9,891 | 1,114,547 |
| 2027 | 550,000 | 217,763 | 195,000 | 1,950 | 964,713 |
| 2028-2032 | 2,375,000 | 730,313 | - | - | 3,105,313 |
| 2033-2037 | 2,125,000 | 342,594 | - | - | 2,467,594 |
| 2038-2039 | <u>840,000</u> | <u>42,000</u> | <u>-</u> | <u>-</u> | <u>882,000</u> |
| Total | <u>\$ 9,450,000</u> | <u>\$ 2,521,126</u> | <u>\$ 1,468,200</u> | <u>\$ 89,864</u> | <u>\$ 13,529,190</u> |

Bond Authorizations/Unissued

Long-term debt authorizations, which have not been issued or rescinded as of June 30, 2022 were 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> |

Equipment Notes Payable

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

| | <u>Annual Payment</u> | <u>Interest Rate</u> | <u>Balance</u> |
|---------------------------|---------------------------|--------------------------|---------------------|
| Ford Expedition | \$ 11,210 | 3.55% | \$ 10,826 |
| Pierce Pumper - Engine 3 | 61,162 | 2.15% | 175,870 |
| Pierce Pumper - Engine 4 | 79,752 | 3.49% | 487,829 |
| Loader/Chipper | 25,288 | 3.89% | 151,926 |
| Volvo EW160E | 24,729 | 3.14% | 112,800 |
| 2018 Ford F350 | 6,747 | 2.93% | 12,923 |
| Pierce Aerial Ladder 2 | 102,276 | 1.90% | 390,387 |
| Ambulance Medic 2 | 35,955 | 2.89% | 134,001 |
| Tower Refurbishment | 63,266 | 2.43% | 180,933 |
| F350 Truck | 10,330 | 2.67% | 38,703 |
| Two Six Wheelers | 36,849 | 2.54% | 233,613 |
| Exhaust System | 14,686 | 3.89% | 88,508 |
| Fire Department Equipment | 35,520 | 3.08% | 67,888 |
| Other Equipment | | | <u>176,886</u> |
| Total | | | \$ <u>2,263,093</u> |

The annual payments to retire all equipment notes outstanding as of June 30, 2022 are as follows:

| Fiscal | | | |
|-------------|---------------------|-------------------|--|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | |
| 2023 | \$ 491,441 | \$ 62,491 | |
| 2024 | 493,097 | 49,625 | |
| 2025 | 463,656 | 36,799 | |
| 2026 | 351,118 | 24,910 | |
| 2027 | 165,757 | 15,548 | |
| 2028-2032 | <u>298,024</u> | <u>15,128</u> | |
| Total | <u>\$ 2,263,093</u> | <u>\$ 204,501</u> | |

Lease Payable

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

On November 15, 2021, the Town entered into a 78-month lease as lessee for the use of various vehicles by the Department of Public Works. As of June 30, 2022, the value of the lease liability was \$253,276. The lease has an interest rate of 0.98%. The Town has the option to purchase the vehicles for \$1 at the end of the lease term. The Town has designated various capital reserve funds reported within the General Fund as the primary source to repay the obligations incurred under this lease agreement.

Changes in General Long-Term Liabilities

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

| | Beginning | | | Ending | Less | Equals |
|----------------------------------|------------------|---------------|--------------------|------------------|-------------------|------------------|
| | Balance | Additions | Reductions | Balance | Current | Long-term |
| Governmental Activities | | | | | Portion | Portion |
| Bonds payable - public offerings | \$ 10,780 | \$ - | \$ (1,330) | \$ 9,450 | \$ (1,230) | \$ 8,220 |
| Bonds payable - direct placement | <u>1,833</u> | <u>-</u> | <u>(365)</u> | <u>1,468</u> | <u>(326)</u> | <u>1,142</u> |
| Subtotal bonds payable | 12,613 | - | (1,695) | 10,918 | (1,556) | 9,362 |
| Equipment notes payable | 2,857 | - | (594) | 2,263 | (491) | 1,772 |
| Lease payable | - | 504 | (251) | 253 | (253) | - |
| Compensated absences liability | 1,974 | 33 | - | 2,007 | (300) | 1,707 |
| Landfill post-closure liability | 179 | - | (20) | 159 | (19) | 140 |
| Net pension liability | 44,794 | - | (12,696) | 32,098 | - | 32,098 |
| Net OPEB liability | <u>12,258</u> | <u>-</u> | <u>(1,404)</u> | <u>10,854</u> | <u>-</u> | <u>10,854</u> |
| Totals | \$ <u>74,675</u> | \$ <u>537</u> | \$ <u>(16,660)</u> | \$ <u>58,552</u> | \$ <u>(2,619)</u> | \$ <u>55,933</u> |
| Business-Type Activities | | | | | | |
| Bonds payable - public offerings | \$ <u>120</u> | \$ <u>-</u> | \$ <u>(120)</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |

Bonds, notes and leases are approved by Town Meeting. The General Fund will be used to liquidate all long-term liabilities.

14. Landfill Post-closure 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 \$159,122 reported as landfill post-closure care liability at June 30, 2022 represents the remaining estimated post-closure maintenance costs. This amount is based on what it would cost to perform all post-closure care in 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town estimates that monitoring will take an additional five years.

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are 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 tax receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. Fund Balances of Governmental Funds

The following types of fund balances are reported at June 30, 2022:

Nonspendable

This fund balance classification includes a General Fund offset for prepaid items and property held for resale, as well as nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

This fund balance classification includes various special revenue funds and the income portion of permanent trust funds.

Committed

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

Assigned

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

Unassigned

This fund balance classification includes the residual classification for the General Fund and temporary fund balance deficits in other governmental funds.

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

| | General <u>Fund</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|------------------------|--|---------------------------------------|
| Nonspendable | | | |
| Prepaid and held for resale | \$ 104,498 | \$ - | \$ 104,498 |
| Nonexpendable permanent funds | - | 1,466,816 | 1,466,816 |
| Total Nonspendable | 104,498 | 1,466,816 | 1,571,314 |
| Restricted | | | |
| Debt service | 210,797 | - | 210,797 |
| Special revenue funds: | | | |
| Leach Library | - | 59,263 | 59,263 |
| Police outside detail | - | 20,774 | 20,774 |
| Reclamation fund | - | 602,199 | 602,199 |
| Other special revenue funds | - | 65,144 | 65,144 |
| Capital project funds: | | | |
| Exit 4A | - | 366,749 | 366,749 |
| Expendable permanent funds | - | 150,599 | 150,599 |
| Total Restricted | 210,797 | 1,264,728 | 1,475,525 |
| Committed | | | |
| Subsequent year appropriations: | | | |
| Town facilities and infrastructure | 90,000 | - | 90,000 |
| Fire dept equipment | 50,000 | - | 50,000 |
| Master plan | 32,800 | - | 32,800 |
| Lease with School District | 300,000 | - | 300,000 |
| Restoration of former School District Offices | 150,000 | - | 150,000 |
| Capital reserves: | | | |
| Cemetery land | 43,291 | - | 43,291 |
| Geographic information system | 92,555 | - | 92,555 |
| Pillsbury cemetery | 274,810 | - | 274,810 |
| Fire department equipment | 426,818 | - | 426,818 |
| Cable division equipment | 214,282 | - | 214,282 |
| Master plan | 35,686 | - | 35,686 |
| Maintenance reserve | 180,160 | - | 180,160 |
| Roadway maintenance | 2,305,489 | - | 2,305,489 |
| ECO Park and other recreation purposes | 40,095 | - | 40,095 |
| Special revenue funds: | | | |
| Conservation commission | - | 1,237,080 | 1,237,080 |
| Capital project funds: | | | |
| Rail trail | - | 394,645 | 394,645 |
| Total Committed | 4,235,986 | 1,631,725 | 5,867,711 |
| Assigned | | | |
| Management assignment for BTLA cases | 1,749,454 | - | 1,749,454 |
| Budgetary encumbrances | 2,546,325 | - | 2,546,325 |
| Total Assigned | 4,295,779 | - | 4,295,779 |
| Unassigned | 5,367,358 | (43,244) | 5,324,114 |
| Total Fund Balances | \$ 14,214,418 | \$ 4,320,025 | \$ 18,534,443 |

17. New Hampshire 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).

The following pension disclosures for the New Hampshire Retirement System pension plan are based upon an actuarial valuation performed as of June 30, 2020, using a measurement date of June 30, 2021.

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. NHRS 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 NHRS. 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 or from their website at nhrs.org.

Benefits Provided

Group I 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:

| <u>Years of creditable service as of January 1, 2012</u> | <u>Minimum Age</u> | <u>Minimum Service</u> | <u>Benefit 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 contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, III, which is 13.75% for employees, 30.67% for police, and 29.78% for fire. The Town's contribution to NHRS for the year ended June 30, 2022 was \$3,812,147, 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 pension, 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, 2022, the Town reported a liability of \$32,098,356 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021. 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, 2021, the Town's proportion was 0.72% percent, which was an increase of 0.02% from its previous year proportion.

For the year ended June 30, 2022, the Town recognized pension expense of \$2,393,364. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 898,800 | \$ 336,047 |
| Changes of assumptions | 3,352,492 | - |
| Difference between projected and actual earnings on pension plan investments | - | 8,977,175 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,000,600 | 470,867 |
| Contributions subsequent to the measurement date | <u>3,812,147</u> | <u>-</u> |
| Total | <u>\$ 9,064,039</u> | <u>\$ 9,784,089</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 the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase (decrease) in pension expense as follows:

Year ended June 30:

| | |
|-------|-----------------------|
| 2023 | \$ (712,354) |
| 2024 | (514,521) |
| 2025 | (609,886) |
| 2026 | <u>(2,695,436)</u> |
| Total | <u>\$ (4,532,197)</u> |

Actuarial Assumptions and Other Inputs

The collective total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.00% |
| Wage inflation | 2.75% |
| Salary increases | 5.60% average, including inflation |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality rates were updated to be based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (police and fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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 following is a table presenting target allocations and geometric real rates of return for each asset class:

| <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 % | 6.46% |
| Small/mid cap equities | <u>7.50</u> | 1.14% |
| Total domestic equities | 30.00 | |
| Int'l equities (unhedged) | 14.00 | 5.53% |
| Emerging int'l equities | <u>6.00</u> | 2.37% |
| Total international equities | 20.00 | |
| Core US Fixed Income | 25.00 | 3.60% |
| Private equity | 10.00 | 8.85% |
| Private debt | <u>5.00</u> | 7.25% |
| Total alternative investments | 15.00 | |
| Real estate | <u>10.00</u> | 6.60% |
| Total | <u><u>100.00</u></u> % | |

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, as well as what the Town's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

| <u>1%</u> | <u>Current</u> | <u>1%</u> |
|-----------------|-----------------|-----------------|
| <u>Decrease</u> | <u>Discount</u> | <u>Increase</u> |
| | <u>Rate</u> | |
| \$45,904,322 | \$32,098,356 | \$ 20,581,927 |

Pension Plan Fiduciary Net Position

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

18. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) 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 following OPEB disclosures for the Town OPEB Plan are based on an actuarial valuation performed as of July 1, 2021, with a measurement date of June 30, 2022.

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 July 1, 2021, the following employees were covered by the benefit terms:

| | |
|--------------------------------------|------------|
| Inactive employees or beneficiaries | |
| currently receiving benefit payments | 22 |
| Active employees | <u>162</u> |
| Total | <u>184</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 July 1, 2021, rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.75% per year |
| Salary increases | 2.75% for general wage inflation plus merit and productivity increases |
| Discount rate | 4.09%, previously 2.19% |
| Healthcare cost trend rates | 7.50% decreasing by 0.5% annually to an ultimate rate of 4.5% |

Mortality rates were based on SOA Pub-2010 Headcount Weighted Mortality Table fully generational using Scale MP-2020.

Discount Rate

The discount rate was based on the 20-year tax-exempt general obligation municipal bond indices at June 30, 2022. 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 | \$ 8,625,315 |
| Changes for the year: | |
| Service cost | 565,423 |
| Interest | 198,584 |
| Differences between expected and actual experience | (279,364) |
| Changes in assumptions | (1,449,439) |
| Benefit payments | <u>(247,291)</u> |
| Net Changes | <u>(1,212,087)</u> |
| Balance, end of year | <u>\$ 7,413,228</u> |

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

The following presents the total OPEB liability calculated using the discount rate of 4.09%, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| 1% <u>Decrease</u> | Current Discount <u>Rate</u> | 1% <u>Increase</u> |
|-----------------------|------------------------------------|-----------------------|
| \$8,141,748 | \$ 7,413,228 | \$6,756,556 |

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

The following presents the total OPEB liability calculated using the current healthcare cost trend rates of 7.5%, as well as what the total OPEB liability would be if it was calculated

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

| <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|------------------------|--|------------------------|
| \$6,492,278 | \$7,413,228 | \$ 8,508,854 |

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

For the year ended June 30, 2022, the Town recognized an OPEB expense of \$(113,694). At June 30, 2022 the Town reported deferred outflows and (inflows) related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 342,772 | \$ 3,054,467 |
| Change in assumptions | <u>974,495</u> | <u>1,476,137</u> |
| Total | <u>\$ 1,317,267</u> | <u>\$ 4,530,604</u> |

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

| <u>Year Ended June 30:</u> | |
|----------------------------|-----------------------|
| 2023 | \$ (877,701) |
| 2024 | (877,701) |
| 2025 | (299,735) |
| 2026 | (198,263) |
| 2027 | (278,675) |
| Thereafter | <u>(681,262)</u> |
| Total | <u>\$ (3,213,337)</u> |

New Hampshire Retirement System Medical Subsidy Plan Description

The following OPEB disclosure for the New Hampshire Retirement System Medical Subsidy Plan are based upon an actuarial valuation performed as of June 30, 2020, using a measurement date of June 30, 2021.

Plan Description

In addition to the OPEB plan discussed above, 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 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 0.31% of earnable compensation for Group I employees, 3.21% of earnable compensation for Group II fire and police department members, respectively. Employees are not required to contribute. The Town's contribution to NHRS for the medical subsidy for the year ended June 30, 2022 was \$370,075, which was equal to its

annual required contribution. 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, which is disclosed in Note 17.

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, 2021 was \$3,441,237 representing 0.86%, an increase of 0.03% from the previous year.

For the year ended June 30, 2022, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$248,695. At June 30, 2022, 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 | \$ 370,075 | \$ - |
| Difference between expected and actual experience | - | 718 |
| Changes in proportion and differences between employer contributions and share of contributions | 1,073 | - |
| Net difference between projected and actual OPEB investment earnings | <u>-</u> | <u>42,987</u> |
| Total | <u>\$ 371,148</u> | <u>\$ 43,705</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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

Year Ended June 30:

| | |
|-------|--------------------|
| 2023 | \$ (9,478) |
| 2024 | (9,032) |
| 2025 | (10,124) |
| 2026 | <u>(15,071)</u> |
| Total | <u>\$ (43,705)</u> |

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability using the discount rate of 6.75%, as well as what the net OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|------------------------|--------------------------------------|------------------------|
| \$ 3,740,896 | \$3,441,237 | \$3,180,515 |

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)

Below is a summary of all OPEB related items in the aggregate as of June 30, 2022. Details related to these items are presented separately for each plan on the previous pages.

| | <u>Net OPEB Liability</u> | <u>Total Deferred Outflows of Resources</u> | <u>Total Deferred Inflows of Resources</u> | <u>Total OPEB Expense</u> |
|---|-----------------------------------|---|--|-----------------------------------|
| Town OPEB Plan | \$ 7,413,228 | \$ 1,317,267 | \$ 4,530,604 | \$ (113,694) |
| Proportionate share of NHRS Medical Subsidy Plan | <u>3,441,237</u> | <u>371,148</u> | <u>43,705</u> | <u>248,695</u> |
| Total | <u>\$ 10,854,465</u> | <u>\$ 1,688,415</u> | <u>\$ 4,574,309</u> | <u>\$ 135,001</u> |

19. Commitments and Contingencies

Exit 4A

In January 2016, the Town entered into an agreement with the State of New Hampshire 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 three-hundred sixty 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 of 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 had \$2,546,325 in encumbrances that will be honored in the next fiscal year.

20. Beginning Net Position Restatement

Beginning net position for governmental activities as of July 1, 2021 has been decreased by \$7,827,524 as a result of correcting property tax revenue recognition for the year ending June 30, 2021.

21. Subsequent Events

Management has evaluated subsequent events through April 14, 2023, which is the date the financial statements were available to be issued.

22. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and 96, *Subscription-Based Information Technology Arrangements*, effective for the Town beginning with its fiscal year ending June 30, 2023. This statement establishes new reporting and disclosure requirements related to these arrangements in the financial statements. Management has not yet evaluated the impact of implementing these GASB pronouncements.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual

For the Year Ended June 30, 2022

(Unaudited)

| | <u>Budgeted Amounts</u> | | Actual | Variance with |
|---|-------------------------|-------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| | <u>Budget</u> | <u>Budget</u> | (Budgetary | Positive |
| | | | <u>Basis</u>) | (<u>Negative</u>) |
| Revenues | | | | |
| Property taxes | \$ 20,380,144 | \$ 20,380,144 | \$ 18,332,041 | \$ (2,048,103) |
| Interest, penalties, and other taxes | 918,126 | 918,126 | 930,598 | 12,472 |
| Licenses and permits | 9,462,750 | 9,462,750 | 10,657,106 | 1,194,356 |
| Intergovernmental | 2,718,933 | 2,718,933 | 2,699,087 | (19,846) |
| Charges for services | 1,594,627 | 1,594,627 | 1,978,859 | 384,232 |
| Investment income | 82,000 | 82,000 | 105,723 | 23,723 |
| Other revenues | <u>743,273</u> | <u>770,570</u> | <u>392,247</u> | <u>(378,323)</u> |
| Total Revenues | 35,899,853 | 35,927,150 | 35,095,661 | (831,489) |
| Expenditures | | | | |
| General government | 7,595,283 | 7,596,423 | 6,661,647 | 934,776 |
| Public safety | 17,355,889 | 17,357,616 | 17,202,771 | 154,845 |
| Highways and streets | 4,177,926 | 4,177,926 | 4,050,860 | 127,066 |
| Sanitation | 2,231,215 | 2,231,215 | 2,278,705 | (47,490) |
| Health | 396,721 | 396,721 | 322,185 | 74,536 |
| Welfare | 94,500 | 94,500 | 79,480 | 15,020 |
| Culture and recreation | 1,591,124 | 1,615,554 | 1,414,416 | 201,138 |
| Conservation | 3,350 | 3,350 | 2,704 | 646 |
| Economic development | 448,074 | 448,074 | 398,425 | 49,649 |
| Capital outlay | 1,330,000 | 1,330,000 | 1,080,000 | 250,000 |
| Debt service | <u>2,266,855</u> | <u>2,266,855</u> | <u>2,278,481</u> | <u>(11,626)</u> |
| Total Expenditures | <u>37,490,937</u> | <u>37,518,234</u> | <u>35,769,674</u> | <u>1,748,560</u> |
| Excess (deficiency) of revenue over (under) expenditures | (1,591,084) | (1,591,084) | (674,013) | 917,071 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 303,186 | 303,186 | 181,964 | (121,222) |
| Transfers out | (247,500) | (247,500) | (247,500) | - |
| Use of fund balance: | | | | |
| Reduce taxes | 1,000,000 | 1,000,000 | - | (1,000,000) |
| Bond premium use | 105,398 | 105,398 | - | (105,398) |
| Capital articles | 250,000 | 250,000 | - | (250,000) |
| Transfers to capital reserve funds | <u>180,000</u> | <u>180,000</u> | <u>-</u> | <u>(180,000)</u> |
| Total Other Financing Sources (Uses) | <u>1,591,084</u> | <u>1,591,084</u> | <u>(65,536)</u> | <u>(1,656,620)</u> |
| Overall Budgetary Deficiency | \$ <u>-</u> | \$ <u>-</u> | \$ <u>(739,549)</u> | \$ <u>(739,549)</u> |

See Independent Auditor's Report.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The General Fund final appropriation appearing on the previous page 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 GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

| <u>General Fund</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources (Uses)</u> |
|---|----------------------|----------------------|---|
| GAAP basis | \$ 35,096,786 | \$ 35,017,523 | \$ 675,657 |
| Subtract expenditures of prior year appropriation carryforwards | - | (666,643) | - |
| Add end-of-year appropriation carryforwards to expenditures | - | 1,083,961 | - |
| Reverse effect of combining General Fund and capital reserve funds (GASB 54) | (1,125) | 715,676 | (237,350) |
| To remove gross up for issuance of leases | - | (503,843) | (503,843) |
| To remove adjustment for Sewer Fund debt service | - | 123,000 | - |
| Budgetary basis | <u>\$ 35,095,661</u> | <u>\$ 35,769,674</u> | <u>\$ (65,536)</u> |

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, 2022 | June 30, 2021 | 0.72% | \$32,098,356 | \$ 15,945,027 | 201.31% | 72.22% |
| June 30, 2021 | June 30, 2020 | 0.70% | \$44,793,846 | \$ 14,944,001 | 299.74% | 58.72% |
| 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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Required Supplementary Information Schedule of Pension Contributions (Unaudited)

| New Hampshire Retirement System | | | | | |
|---------------------------------|---|---|---|--------------------|--|
| Fiscal Year | Contractually Required Contribution | Contractually Required Contribution | Contributions in Relation to the Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
| June 30, 2022 | \$ 3,812,147 | \$ 3,812,147 | \$ - | \$ 15,230,376 | 25.03% |
| June 30, 2021 | \$ 3,111,138 | \$ 3,111,138 | \$ - | \$ 15,945,027 | 19.51% |
| 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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

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, 2022 | June 30, 2021 | 0.86% | \$ 3,441,237 | \$ 15,945,027 | 21.58% | 11.06% |
| June 30, 2021 | June 30, 2020 | 0.83% | \$ 3,633,062 | \$ 14,944,001 | 24.31% | 7.74% |
| 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, 2022 | \$ 370,075 | \$ 370,075 | \$ - | \$ 15,230,376 | 2.43% |
| June 30, 2021 | \$ 385,271 | \$ 385,271 | \$ - | \$ 15,945,027 | 2.42% |
| 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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TOWN OF LONDONDERRY, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
(Unaudited)

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|----------------------------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 565,423 | 607,299 | \$ 518,950 | \$ 437,840 | \$ 469,307 | \$ 760,208 |
| Interest on total liability | 198,584 | 249,188 | 302,518 | 288,252 | 277,709 | 321,717 |
| Differences between expected and actual experience | (279,364) | (1,583,292) | (519,920) | 685,548 | (605,038) | (4,107,331) |
| Changes of assumptions | (1,449,439) | 743,341 | 667,184 | (42,245) | (206,788) | (342,961) |
| Benefit payments, including refunds of member contributions | <u>(247,291)</u> | <u>(301,793)</u> | <u>(313,225)</u> | <u>(247,391)</u> | <u>(264,946)</u> | <u>(370,327)</u> |
| Net change in total OPEB liability | (1,212,087) | (285,257) | 655,507 | 1,122,004 | (329,756) | (3,738,694) |
| Total OPEB liability - beginning | <u>8,625,315</u> | <u>8,910,572</u> | <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><u>7,413,228</u></u> | <u><u>8,625,315</u></u> | \$ <u><u>8,910,572</u></u> | \$ <u><u>8,255,065</u></u> | \$ <u><u>7,133,061</u></u> | \$ <u><u>7,462,817</u></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.