COUNTY OF BELKNAP, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

OPEB:

Pension:

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Belknap, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County of Belknap, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gunstock Area Commission (a component unit). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gunstock Area Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the OPEB and pension schedules appearing on pages 53 to 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

April 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Belknap, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the County of Belknap, New Hampshire for the year ended December 31, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of 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 our 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 County's net position changed during the most recent calendar 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 periods.

The component unit column in the government-wide financial statements is the financial data of Gunstock Area Commission, which is reported as of its latest fiscal operating year ended April 30, 2017. A component unit is an entity that is legally separate from the County, but for which the County is financially accountable.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are reported in two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the County'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 County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County programs.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by $(5,861,998) (i.e., net position), a change of $(1,961,073) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of $(5,967,930), a change of $(6,693,766) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was $303,162 a change of $(970,657) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years.

NET POSITION

	Governmental Activities	
	2017	2016
Current assets	$ 4,351,882	$ 7,306,896
Noncurrent assets	15,794,792	11,182,454
Total assets	20,146,674	18,489,350
Deferred outflows	2,091,077	3,466,618
Current liabilities	11,028,592	7,596,620
Noncurrent liabilities	16,330,326	17,266,731
Total liabilities	27,358,918	24,863,351
Deferred inflows	740,831	993,542
Net position:		
Net investment in capital assets	7,926,451	7,802,016
Restricted	50,107	47,084
Unrestricted	(13,838,556)	(11,750,025)
Total net position	$ (5,861,998)	$ (3,900,925)

CHANGE IN NET POSITION

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	$ 11,162,467	$ 10,638,782
Operating grants and contributions	517,494	503,675
General revenues:		
County taxes	12,963,440	12,963,440
Investment income	37,103	11,695
Miscellaneous	299,407	354,573
Transfers from Gunstock Area Commission	175,000	175,000
Total revenues	25,154,911	24,647,165

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	2017	2016
Expenses:		
General government	2,753,154	2,787,171
Public safety	2,165,082	2,215,713
Corrections	4,164,230	3,900,527
Human services	6,391,431	6,280,548
Cooperative extension	212,216	232,217
Economic development	-	149,039
Nursing home	11,322,832	11,046,241
Interest expense	107,039	86,350
Total expenses	27,115,984	26,697,806
Change in net position	(1,961,073)	(2,050,641)
Net position - beginning of year	(3,900,925)	(1,850,284)
Net position - end of year	$ (5,861,998)	$ (3,900,925)

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent year, total net position was $(5,861,998), a change of $(1,961,073) from the prior year.

The largest portion of net position, $7,926,451, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; consequently, these assets are not available for future spending. Although the 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, $50,107, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of $(13,838,556), primarily resulting from the unfunded net OPEB obligation (see note 14) and the unfunded net pension liability (see note 15).

Governmental activities. Governmental activities for the year resulted in a change in net position of $(1,961,073). Key elements of this change are as follows:

Governmental funds operating results	$	(6,693,766)
Purchase of capital assets		5,330,262
Depreciation expense in excess of principal debt service		(95,478)
Change in accrued interest liability		4,818
Change in compensated absence liability		(18,489)
Change in net OPEB obligation		(290,495)
Change in net pension liability related items		(197,925)
Total	$	(1,961,073)

D. FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, fund accounting is used 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 financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

As of the end of the current year, the combined ending fund balance for all funds was $(5,967,930), a change of $(6,693,766) in comparison to the prior year. Key elements of this change are as follows:

General Fund operating results	$	(1,583,417)
Capital Projects Fund operating results		(5,110,349)
Total	$	(6,693,766)

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was $303,162, while total fund balance was $1,585,664. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

General Fund		12/31/17		12/31/16		Change	Percentage of Total General Fund Expenditures
Unassigned fund balance	$	303,162	$	1,273,819	$	(970,657)	1.1%
Total fund balance	$	1,585,664	$	3,169,081	$	(1,583,417)	5.9%

The fund balance of the General Fund changed by $(1,583,417) during the current year. Key factors in this change are as follows:

Revenues less than budget	$	(383,889)
Expenditures less than appropriations		933,604
Use of fund balance - reduce taxes		(2,205,515)
Expenditure timing differences		72,383
Total	$	(1,583,417)

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no increases to the original budget during fiscal year 2017; however, there were line item changes approved by the County Delegation.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to $15,794,792 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

Major capital asset events during the current year included jail construction costs of approximately $5,110,000.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current year, total bonded debt outstanding totaled $245,000, all of which was backed by the full faith and credit of the County. In addition, the County had notes payable totaling $23,807 and outstanding capital leases of $40,720.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

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

Board of Commissioners

County of Belknap, New Hampshire

34 County Drive

Laconia, New Hampshire 03246

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Primary Government Governmental Activities		Gunstock Area Commission (Component Unit - April 30, 2017)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets:			
Cash and short-term investments	$ 3,026,360		$ 1,818,696
Restricted cash	48,358		-
Investments	-		260,263
Accounts receivable, net	1,214,573		62,728
Due from external parties	12,309		-
Inventory, net	50,282		715,187
Prepaid expenses	-		117,412
Total Current Assets	4,351,882		2,974,286
Noncurrent Assets:			
Capital assets:			
Land	144,829		2,197,595
Construction in progress	7,828,612		9,183
Capital assets, net of accumulated depreciation	7,821,351		12,976,436
Total Noncurrent Assets	15,794,792		15,183,214
Total Assets	20,146,674		18,157,500
Deferred Outflows of Resources - Pension Related	2,091,077		-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	22,237,751		18,157,500
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current Liabilities:			
Accounts payable	2,084,935		568,808
Accrued expenses	231,876		291,359
Deposits payable	-		32,965
Other liabilities	4,050		-
Restricted cash liability	3,471		-
Bond anticipation notes payable	8,000,000		-
Current portion of noncurrent liabilities:			
Bonds payable	245,000		905,000
Notes payable	11,640		-
Capital lease payable	40,720		136,357
Compensated absences	406,900		-
Total Current Liabilities	11,028,592		1,934,489
Noncurrent Liabilities:			
Bonds payable, net of current portion	-		5,100,000
Notes payable, net of current portion	12,167		-
Capital lease payable, net of current portion	-		204,527
Compensated absences, net of current portion	117,821		-
Net OPEB obligation	1,611,079		-
Net pension liability	14,589,259		-
Total Noncurrent Liabilities	16,330,326		5,304,527
Total Liabilities	27,358,918		7,239,016
Deferred Inflows of Resources:			
Pension related	740,831		-
Unearned revenue	-		1,565,553
Total Deferred Inflows of Resources	740,831		1,565,553
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	28,099,749		8,804,569
NET POSITION			
Net investment in capital assets	7,926,451		8,837,330
Restricted	50,107		-
Unrestricted	(13,838,556)		515,601
TOTAL NET POSITION	$ (5,861,998)		$ 9,352,931

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position Governmental Activities	Gunstock Area Commission (Component Unit- for the year ended April 30, 2017)
Governmental Activities:					
General government	$ 2,753,154	$ 945,412	$ 80,006	$ (1,727,736)	
Public safety	2,165,082	377,819	900	(1,786,363)	
Corrections	4,164,230	115,457	65,797	(3,982,976)	
Human services	6,391,431	-	370,791	(6,020,640)	
Cooperative extension	212,216	-	-	(212,216)	
Nursing home	11,322,832	9,723,779	-	(1,599,053)	
Interest	107,039	-	-	(107,039)	
Total Governmental Activities	$ 27,115,984	$ 11,162,467	$ 517,494	(15,436,023)	
Component Unit:					
Gunstock Area Commission	$ 10,381,539	$ 11,367,553	$ -		$ 986,014
Total Component Unit	$ 10,381,539	$ 11,367,553	$ -		986,014
General Revenues and Transfers:					
County taxes				12,963,440	-
Investment income				37,103	3,653
Miscellaneous				299,407	16,912
Transfers, net				175,000	(175,000)
Total general revenues and transfers				13,474,950	(154,435)
Change in Net Position				(1,961,073)	831,579
Net Position:					
Beginning of year				(3,900,925)	8,521,352
End of year				$ (5,861,998)	$ 9,352,931

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	$ 2,180,051	$ 840,529	$ 5,780	$ 3,026,360
Restricted cash	48,358	-	-	48,358
Accounts receivable, net	1,214,573	-	-	1,214,573
Due from other funds	198,639	-	-	198,639
Inventory	50,282	-	-	50,282
TOTAL ASSETS	$ 3,691,903	$ 840,529	$ 5,780	$ 4,538,212
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,871,362	$ 213,013	$ 560	$ 2,084,935
Accrued expenses	227,356	-	-	227,356
Other liabilities	4,050	-	-	4,050
Restricted cash liability	3,471	-	-	3,471
Bond anticipation notes payable	-	8,000,000	-	8,000,000
Due to other funds	-	186,330	-	186,330
Total Liabilities	2,106,239	8,399,343	560	10,506,142
Fund Balances:				
Nonspendable	50,282	-	-	50,282
Restricted	44,887	-	5,220	50,107
Assigned	1,187,333	-	-	1,187,333
Unassigned	303,162	(7,558,814)	-	(7,255,652)
Total Fund Balances	1,585,664	(7,558,814)	5,220	(5,967,930)
TOTAL LIABILITIES AND FUND BALANCES	$ 3,691,903	$ 840,529	$ 5,780	$ 4,538,212

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

Total governmental fund balances	$	(5,967,930)
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		15,794,792
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(4,520)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable		(245,000)
Notes payable		(23,807)
Capital lease payable		(40,720)
Compensated absences		(524,721)
Net OPEB obligation		(1,611,079)
• Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.		(13,239,013)
Net position of governmental activities	$	(5,861,998)

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
County taxes	$ 12,963,440	$ -	$ -	$ 12,963,440
Nursing home	9,723,779	-	-	9,723,779
Charges for services	1,438,688	-	-	1,438,688
Intergovernmental	692,494	-	-	692,494
Investment income	37,103	-	-	37,103
Miscellaneous	299,407	-	-	299,407
Total Revenues	25,154,911	-	-	25,154,911
Expenditures:				
Current:				
General government	2,517,196	-	-	2,517,196
Public safety	2,040,328	-	-	2,040,328
Corrections	3,998,091	-	-	3,998,091
Human services	6,391,431	-	-	6,391,431
Cooperative extension	212,216	-	-	212,216
Nursing home	10,799,554	-	-	10,799,554
Capital outlay	112,654	5,110,349	-	5,223,003
Debt service:				
Principal	555,000	-	-	555,000
Interest	111,858	-	-	111,858
Total Expenditures	26,738,328	5,110,349	-	31,848,677
Excess (deficiency) of revenues over expenditures	(1,583,417)	(5,110,349)	-	(6,693,766)
Fund Balance, at Beginning of Year	3,169,081	(2,448,465)	5,220	725,836
Fund Balance, at End of Year	$ 1,585,664	$ (7,558,814)	$ 5,220	$ (5,967,930)

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

COUNTY OF BELKNAP, 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 DECEMBER 31, 2017

Net changes in fund balances - Total governmental funds	$ (6,693,766)
• Governmental funds report capital asset purchases 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 asset purchases	5,330,262
Depreciation	(717,924)
• 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:	
Repayments of bonds payable	555,000
Repayments of capital lease payable	56,311
Repayments of note payable	11,135
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	4,818
• 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:	
Compensated absences	(18,489)
Net OPEB obligation	(290,495)
Net pension liability and related deferred outflows and inflows of resources	(197,925)
Change in net position of governmental activities	$ (1,961,073)

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
County taxes	$ 12,963,440	$ 12,963,440	$ 12,963,440	$ -
Nursing home	9,661,500	9,661,500	9,723,779	62,279
Charges for services	1,408,400	1,408,400	1,438,688	30,288
Intergovernmental	1,121,170	1,121,170	692,494	(428,676)
Investment income	11,500	11,500	37,103	25,603
Miscellaneous	372,790	372,790	299,407	(73,383)
Total Revenues	25,538,800	25,538,800	25,154,911	(383,889)
Expenditures:				
Current:				
General government	2,693,942	2,693,942	2,565,424	128,518
Public safety	2,063,092	2,063,092	2,040,328	22,764
Corrections	4,600,330	4,600,330	4,023,380	576,950
Human services	6,391,431	6,391,431	6,391,431	-
Cooperative extension	212,216	212,216	212,216	-
Nursing home	11,135,374	11,135,374	10,911,074	224,300
Debt service:				
Principal	555,000	555,000	555,000	-
Interest	92,930	92,930	111,858	(18,928)
Total Expenditures	27,744,315	27,744,315	26,810,711	933,604
Excess (deficiency) of revenues over expenditures before other financing sources	(2,205,515)	(2,205,515)	(1,655,800)	549,715
Other Financing Sources:				
Use of fund balance - reduce taxes	2,205,515	2,205,515	2,205,515	-
Excess of revenues and other financing sources over expenditures	$ -	$ -	$ 549,715	$ 549,715

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	$ 13,792	$ 67,688
Total Assets	13,792	67,688
LIABILITIES		
Due to General Fund	379	11,930
Due to others	47	55,758
Total Liabilities	426	67,688
NET POSITION		
Total net position held in trust	$ 13,366	$ -

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	Private Purpose Trust Funds
Additions:	
Contributions	$ 5,019
Total additions	5,019
Deductions:	
Other	3,097
Total deductions	3,097
Net increase	1,922
Net position:	
Beginning of year	11,444
End of year	$ 13,366

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

1. Summary of Significant Accounting Policies

The accounting policies of the County of Belknap, New Hampshire (the County) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. *Reporting Entity*

The County is a municipal corporation governed by an elected Board of Commissioners. As required by Generally Accepted Accounting Principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable.

Discretely Presented Component Unit
The component unit column in the government-wide financial statements includes the financial data of the County's component unit, Gunstock Area Commission (the Commission). It is reported in a separate column to emphasize that the Commission is legally separate from the County. The Commission, which was incorporated as a body politic and an agency of the County by the State of New Hampshire in 1959, is included because the County is responsible for selection of the Commissioners and debt issued by the County on behalf of the Commission. Debt issued is backed by the full faith and credit of the County.

The County may make appropriations directly to the Commission. The Commission is reported as of its latest fiscal operating year, April 30, 2017, which differs from the County's calendar operating year of December 31, 2017. Separately issued financial statements of Gunstock Area Commission may be obtained by writing to their Finance Department at P.O. Box 1307, Laconia, New Hampshire 03247.

B. *Government-wide and Fund Financial Statements*

Government-wide Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the 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. 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.

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. Generally, all other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, compensated absences, claims and judgments, and OPEB and pension are recorded only when payment is due.

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.
- The *Capital Projects Fund* accounts for the activity of the jail project.

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 County reports the following fiduciary funds:

- *Private-Purpose Trust Funds* are used to account for trust arrangements which exclusively benefit individuals, private organizations, or other governments.

- *Agency Funds* are used to account for money held by the County on behalf of others (e.g., inmate funds and nursing home resident funds).

D. <u>Cash and Short-Term Investments</u>

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

E. <u>Interfund Receivables and Payables</u>

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

F. <u>Inventory</u>

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory includes food, paper, and cleaning materials.

G. <u>Capital Assets</u>

Capital assets, which include land, buildings and improvements, machinery and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than $500 for assets acquired for use in the Nursing Home, and $2,500 for all other assets, 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 estimated acquisition value at the date of donation.

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. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings and improvements	5 - 40
Machinery and equipment	3 - 20

H. Compensated Absences

It is the County'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 financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

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

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

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County 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 County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. _Fund Balance Policy_

There is no rule or law in New Hampshire that governs the level of fund balance for counties. However, by looking at other guidelines that exist and by comparing the County to other counties in the state and in other states, the County arrived at a policy that fits the County's needs and standards:

1) The NH Department of Revenue Administration recommends that municipalities maintain a fund balance that represents between 5% and 10% of its total annual appropriations, including municipal, school, and county obligations.

2) The Government Finance Officer Association recommends as a best practice that "General-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures. Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the General Fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the General Fund at any one time". Two months of General Fund operating expenditures for the County is approximately $4.4 million, which is 16% of the budgeted appropriations. Two months of General Fund operating revenues would be approximately $4.2 million or just over 16% of budgeted appropriations.

Through this fund balance policy, the County will endeavor to achieve and maintain an unassigned fund balance that is between $3.5 million and $5 million. This represents 12% to 18% based on the recommended 2018 budget.

L. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The County's budget represents functional appropriations by department as authorized by the County Delegation. The County adopts its budget under State regulations.

B. Budgetary Basis

The final budget appearing on the "Budget and Actual" page of the financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

General Fund	Revenues	Expenditures
Revenues/Expenditures (GAAP Basis)	$ 25,154,911	$ 26,738,328
Reverse beginning of year appropriation carryforwards from expenditures	-	(114,950)
Add end of year appropriation carryforwards to expenditures	-	187,333
Budgetary Basis	$ 25,154,911	$ 26,810,711

D. Deficit Fund Equity

The Capital Projects Fund had a deficit fund balance of $(7,558,814) as of December 31, 2017. This deficit will be eliminated with the proceeds of bonds to be issued in subsequent years.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 29:1, II states, "The amount of collected funds on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus." The County's deposit policy states that no investment or deposit shall be made in any institution with a capital to asset ratio of less than 6%, unless the investment is within FDIC insured limits or is collateralized.

As of December 31, 2017, $1,113,982 of the County's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of $48,358 is composed of amounts from the Registry of Deeds surcharge fund and 200th Anniversary fund.

5. Allowance for Doubtful Accounts and Contractual Allowances

The allowance for doubtful accounts for Nursing Home receivables has been estimated at approximately $309,000 at December 31, 2017, based on a detailed review of past due accounts. Nursing Home receivables are also reported net of contractual allowances.

6. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of December 31, 2017 balances in interfund receivable and payable accounts:

Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 198,639	$ -
Capital Projects Funds	-	186,330
Private Purpose Trust Funds	-	379
Agency Funds	-	11,930
Total	$ 198,639	$ 198,639

7. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	$ 20,836	$ -	$ (7)	$ 20,829
Machinery and equipment	3,411	220	(15)	3,616
Total capital assets, being depreciated	24,247	220	(22)	24,445
Less accumulated depreciation for:				
Buildings and improvements	(13,557)	(533)	7	(14,083)
Machinery and equipment	(2,371)	(185)	15	(2,541)
Total accumulated depreciation	(15,928)	(718)	22	(16,624)
Total capital assets, being depreciated, net	8,319	(498)	-	7,821
Capital assets, not being depreciated:				
Land	145	-	-	145
Construction in progress	2,718	5,111	-	7,829
Total capital assets, not being depreciated	2,863	5,111	-	7,974
Governmental activities capital assets, net	$ 11,182	$ 4,613	$ -	$ 15,795

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

Governmental Activities:	
General government	$ 186
Public safety	104
Corrections	28
Nursing home	400
Total depreciation expense - governmental activities	$ 718

8. **Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 15.

9. **Anticipation Notes Payable**

The following summarizes anticipation notes payable activity during 2017:

	Issue Amount	Date of Issue	Interest Rate	Balance Beginning of Year	Advances	Repayments	Balance End of Year
Tax anticipation	$ 8,136,000	03/15/17	0.79%	$ -	$ 8,136,000	$ (8,136,000)	$ -
Tax anticipation	$ 1,500,000	10/06/17	1.10%	-	1,500,000	(1,500,000)	-
Bond anticipation	$ 4,000,000	04/29/16	0.83%	4,000,000	-	(4,000,000)	-
Bond anticipation	$ 8,000,000	03/31/17	1.08%	-	8,000,000	-	8,000,000
Total				$ 4,000,000	$ 17,636,000	$ (13,636,000)	$ 8,000,000

The bond anticipation notes served as temporary financing for the County's jail project, which is scheduled to be bonded in June 2018.

10. **Capital Lease Obligations**

The County is the lessee of certain equipment under capital leases expiring in various years through 2018. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2017:

Year	Principal	Interest	Total
2018	$ 40,720	$ 2,321	$ 43,041
Total	$ 40,720	$ 2,321	$ 43,041

Equipment financed by capital leases payable totaling $158,306 is reported in capital assets net of $81,791 accumulated depreciation.

11. **Long-Term Obligations**

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Governmental Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/17
Roof bonds	07/15/18	2.6 - 4.0%	$ 245,000
Total Governmental Activities			$ 245,000

B. *Notes Payable*

In 2016, the County entered into an agreement to provide funds for the acquisition of a vehicle. At December 31, 2017, notes payable outstanding were as follows:

Governmental Activities:	Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/2017
Vehicles	2019	4.09%	$ 23,807
Total Governmental Activities			$ 23,807

C. *Future Debt Service*

The annual payments to retire all general obligation long-term bonds and notes outstanding as of December 31, 2017 are as follows:

Bonds Payable	Principal	Interest	Total
2018	$ 245,000	$ 9,800	$ 254,800
Total	$ 245,000	$ 9,800	$ 254,800

Notes Payable	Principal	Interest	Total
2018	$ 11,640	$ 868	$ 12,508
2019	12,167	341	12,508
Total	$ 23,807	$ 1,209	$ 25,016

D. Changes in General Long-Term Obligations

During the year ended December 31, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
Governmental Activities						
Bonds payable	$ 800	$ -	$ (555)	$ 245	$ (245)	$ -
Other:						
Notes payable	35	-	(11)	24	(12)	12
Capital lease payable	97	-	(56)	41	(41)	-
Compensated absences	506	19	-	525	(407)	118
Net OPEB obligation	1,321	336	(46)	1,611	-	1,611
Net pension liability	15,514	-	(925)	14,589	-	14,589
Totals	$ 18,273	$ 355	$ (1,593)	$ 17,035	$ (705)	$ 16,330

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pensions will be recognized in pension expense in future years and are more fully described in Note 15.

13. Fund Balances

The County's fund balance classification policies and procedures are as follows:

1) Nonspendable funds are either unspendable in the current form (i.e., inventory) or can never be spent.
2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the County (i.e., appropriations by the County Delegation).
4) Assigned funds are used for specific purposes as established by management. These funds include encumbrances, which have been assigned for specific goods and services ordered but not yet paid for. This also includes fund balance voted to be used in the subsequent year.
5) Unassigned funds are available to be spent in future periods. These funds also include funds in deficit.

The following is a summary of fund balances at December 31, 2017:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventory	$ 50,282	$ -	$ -	$ 50,282
Total Nonspendable	50,282	-	-	50,282
Restricted:				
Deeds surcharge account	44,887	-	-	44,887
Unexpended grant funds	-	-	5,220	5,220
Total Restricted	44,887	-	5,220	50,107
Assigned:				
Use of fund balance for subsequent year budget	1,000,000	-	-	1,000,000
Encumbrances	187,333	-	-	187,333
Total Assigned	1,187,333	-	-	1,187,333
Unassigned:				
Capital projects fund in deficit	-	(7,558,814)	-	(7,558,814)
Remaining fund balance	303,162	-	-	303,162
Total Unassigned	303,162	(7,558,814)	-	(7,255,652)
Total Fund Balances	$ 1,585,664	$ (7,558,814)	$ 5,220	$ (5,967,930)

14. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The County provides post-employment healthcare benefits for retired employees through the County's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2016, the actuarial valuation date, 9 retirees and 136 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. *Benefits Provided*

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

C. *Funding Policy*

Retirees contribute 100% of the cost of the health plan. Surviving spouses continue to receive coverage after the death of the eligible retired employee, but are required to continue to pay 100% of the premiums. The County contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. *Annual OPEB Costs and Net OPEB Obligation*

The County's 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of January 1, 2016.

Annual Required Contribution (ARC)	$ 358,264
Interest on net OPEB obligation	52,823
Adjustment to ARC	(74,886)
Annual OPEB cost	336,201
Contributions made	(45,706)
Increase in net OPEB obligation	290,495
Net OPEB obligation - beginning of year	1,320,584
Net OPEB obligation - end of year	$ 1,611,079

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	$ 336,201	13.6%	$ 1,611,079
2016	$ 321,556	11.6%	$ 1,320,584
2015	$ 364,476	16.2%	$ 1,036,403

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2016, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	$ 2,545,179
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 2,545,179
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 5,698,080
UAAL as a percentage of covered payroll	44.67%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the projected unit credit method was used. The actuarial value of assets was not determined as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 11.97% which decreases to a 5.00% long term rate for all healthcare benefits after 12 years. The amortization costs for the initial UAAL is a level dollar amount over a period of 30 years, on an open amortization period for pay-as-you-go. This has been calculated at a rate of 4.0% pay-as-you-go.

15. New Hampshire Retirement System (GASB 68)

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

A. *Plan Description*

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

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

B. *Benefits Provided*

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

C. *Contributions*

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers. The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2017 were $1,114,408, which was equal to its annual required contribution.

D. *Summary of Significant Accounting Policies*

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

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

At December 31, 2017, the County reported a liability of $14,589,259 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2016, the County's proportion was .29175149%. At the most recent measurement date of June 30, 2017, the County's proportion was .29665067%, which was an increase of .00489918% from its previous year proportion.

For the year ended December 31, 2017, the County recognized pension expense of $1,334,169. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 33,080	$ 185,679
Net difference between projected and actual investment earnings	-	185,802
Changes of assumptions	1,464,954	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	369,350
Contributions subsequent to the measurement date	593,043	-
Total	$ 2,091,077	$ 740,831

$593,043 reported as deferred outflows 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 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	$ (55,144)
2019	(454,356)
2020	(445,508)
2021	197,805
Total	$ (757,203)

F. *Actuarial Assumptions*

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.75%
Opportunistic	5.00	2.84%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

G. *Discount Rate*

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

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 19,220,616	$ 14,589,259	$ 10,794,045

I. Pension Plan Fiduciary Net Position

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

16. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the County is involved. The County'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 County expects such amounts, if any, to be immaterial.

17. Subsequent Events

On January 31, 2018, the County issued a $7,600,000 tax anticipation note with a maturity date of December 28, 2018 and an interest rate of 1.65%.

On March 27, 2018, the County issued a $8,000,000 bond anticipation note with a maturity date of June 19, 2018 and an interest rate of 1.40%.

18. Gunstock Area Commission

Under the act providing for the creation of Gunstock Area Commission (the Commission) to manage and operate the County owned recreational area, serial notes or bonds of such Commission are considered to be the pledge of the full faith and credit of the County of Belknap, New Hampshire.

Provisions of the agreement provide that the Commission will make an annual payment of $175,000 to the County prior to March 31 of each year. For the year ended April 30, 2017, a total of $175,000 was recognized as a return of capital contributions to the County in the Commission's financial statements. This amount has been recognized as intergovernmental revenue from the Commission in the County's General Fund during 2017.

19. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the County beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB. Management's current assessment is that this pronouncement will have an impact by increasing net OPEB liability and, as a result, decreasing the unrestricted net position on the government-wide financial statements.

GUNSTOCK AREA COMMISSION
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Principles

The accounting policies of the Gunstock Area Commission (the "Commission") conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Commission was incorporated as a body politic and an agency of the County of Belknap (the County) by Act of the New Hampshire General Court, effective September 15, 1959, to provide for the operation and maintenance of the former Belknap County Recreational Area. The Commission is authorized to borrow funds to accomplish its purposes upon approval by the County Convention. All debt has been authorized pursuant to New Hampshire laws and carries the pledge of the full faith and credit of the County of Belknap.

The Commission (a component unit of the County of Belknap, New Hampshire) is accounted for as a separate and distinct enterprise fund from the County.

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of checking accounts, savings accounts, and cash on hand.

Investments

Investments are stated at their fair value. Certificates of deposit with a maturity greater than ninety days from the date of issuance are included in investments.

Inventories

Merchandise available for sale is valued at the lower of cost (under the first-in, first-out method), or market. During the years ended April 30, 2017 and 2016, inventory is reported at net of reserve of obsolescence of $21,761.

Capital Assets

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements, buildings and equipment are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Land improvements	5 - 25
Buildings and improvements	3 - 33
Equipment	3 - 25
Leasehold improvements	8

Compensated Absences

Employees earn vacation leave as they provide services. Pursuant to the personnel policy, full time/year-round employees earn twelve to twenty days of vacation leave on an annual basis dependent on length of service. Accrued and unused vacation leave has been included as a liability in these financial statements.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Sales collected before the revenues are earned are recorded as unearned revenue.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Commission. For the Commission, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the Commission. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. **Deposits and Investments**

Deposits and investments as of April 30, 2017 and 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

	2017	2016
Cash and cash equivalents	$ 1,818,696	$ 830,907
Investments	260,263	258,548
Restricted cash	-	820,462
	$ 2,078,959	$ 1,909,917

Deposits and investments as of April 30, 2017 and 2016 consist of the following:

	2017	2016
Cash on hand	$ 8,249	$ 8,065
Deposits with financial institutions	2,070,710	1,901,852
	$ 2,078,959	$ 1,909,917

The Commission's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Commission limits its investments to demand deposits, certificates of deposit and repurchase agreements.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it.

The Commission's cash management program is based on a zero-balance bank account for operations. The available balance in this account is transferred to a money market account on a daily basis. The funds in the money market account are invested in overnight repurchase agreements. The Commission has entered into a Federal Reserve Joint Custody Safekeeping Program with the Bank of New York - Mellon.

Under the terms of the agreement, as of April 30, 2017 and 2016, $1,373,694 and $819,956, respectively of the Commission's deposits with financial institutions were collateralized.

3. Capital Assets

The following is a summary of changes in capital assets during the years ended April 30, 2017 and 2016:

	Balance 5/1/16	Additions	Reductions	Balance 4/30/17
Capital assets, not being depreciated:				
Land	$ 2,197,595	$ -	$ -	$ 2,197,595
Construction in progress	1,859,163	9,183	(1,859,163)	9,183
Total capital assets, not being depreciated	4,056,758	9,183	(1,859,163)	2,206,778
Other capital assets:				
Land improvements	2,667,935	-	-	2,667,935
Buildings and improvements	4,610,424	300,000	-	4,910,424
Equipment	23,647,150	3,018,892	-	26,666,042
Leasehold improvements	637,144	38,508	-	675,652
Total other capital assets at historical cost	31,562,653	3,357,400	-	34,920,053
Less accumulated depreciation for:				
Land improvements	(1,134,580)	(114,260)	-	(1,248,840)
Buildings and improvements	(3,528,780)	(159,993)	-	(3,688,773)
Equipment	(15,251,001)	(1,336,994)	-	(16,587,995)
Leasehold improvements	(377,610)	(40,399)	-	(418,009)
Total accumulated depreciation	(20,291,971)	(1,651,646)	-	(21,943,617)
Total other capital assets, net	11,270,682	1,705,754	-	12,976,436
Total capital assets, net	$ 15,327,440	$ 1,714,937	$ (1,859,163)	$ 15,183,214

	Balance 5/1/15	Additions	Reductions	Balance 4/30/16
Capital assets, not being depreciated:				
Land	$ 2,197,595	$ -	$ -	$ 2,197,595
Construction in progress	6,101	1,859,163	(6,101)	1,859,163
Total capital assets, not being depreciated	2,203,696	1,859,163	(6,101)	4,056,758
Other capital assets:				
Land improvements	2,667,935	-	-	2,667,935
Buildings and improvements	4,394,061	216,363	-	4,610,424
Equipment	23,021,179	895,922	(269,951)	23,647,150
Leasehold improvements	374,946	262,198	-	637,144
Total other capital assets at historical cost	30,458,121	1,374,483	(269,951)	31,562,653
Less accumulated depreciation for:				
Land improvements	(1,019,198)	(115,382)	-	(1,134,580)
Buildings and improvements	(3,371,429)	(157,351)	-	(3,528,780)
Equipment	(14,308,716)	(1,194,317)	252,032	(15,251,001)
Leasehold improvements	(335,734)	(41,876)	-	(377,610)
Total accumulated depreciation	(19,035,077)	(1,508,926)	252,032	(20,291,971)
Total other capital assets, net	11,423,044	(134,443)	(17,919)	11,270,682
Total capital assets, net	$ 13,626,740	$ 1,724,720	$ (24,020)	$ 15,327,440

Depreciation expense was charged as follows:

	2017	2016
Departmental expenses:		
Trams and tows	$ 628,721	$ 628,729
Restaurant	15,983	15,554
Summer attractions	406,343	275,111
Ski shop rentals	62,712	62,844
Ski touring	9,915	11,676
Ski learning center	1,319	1,319
Camping and swimming pool	17,075	19,921
Programs (functions)	2,029	1,568
General expenses	475,223	459,828
Administrative expenses	32,326	32,376
	$ 1,651,646	$ 1,508,926

The balance of the assets acquired through capital leases as of April 30, 2017 and 2016 is as follows:

	2017	2016
Equipment	$ 918,709	$ 706,100
Less: Accumulated depreciation	(181,344)	(98,436)
	$ 737,365	$ 607,664

4. Short-Term Obligations

Revenue Anticipation Notes

The Commission issues revenue anticipation notes during the year. These borrowings are to assist in the payment of operating expenses during the off-season and are guaranteed to be repaid from operating revenues of the Commission received during the winter months.

The changes in short-term revenue anticipation note obligations for the years ended April 30, 2017 and 2016 are as follows:

	2017	2016
Balance - May 1	$ -	$ -
Additions	950,000	650,000
Reductions	(950,000)	(650,000)
Balance - April 30	$ -	$ -

5. Long-Term Obligations

Changes in Long-Term Obligations

The changes in long-term debt obligations for the years ended April 30, 2017 and 2016 are as follows:

Type	Balance 5/1/16	Additions	Reductions	Balance 4/30/17	Amounts Due Within One Year
Bonds payable	$ 6,910,000	$ -	$ (905,000)	$ 6,005,000	$ 905,000
Capital leases	323,710	212,609	(195,435)	340,884	136,357
	$ 7,233,710	$ 212,609	$ (1,100,435)	$ 6,345,884	$ 1,041,357

Type	Balance 5/1/15	Additions	Reductions	Balance 4/30/16	Amounts Due Within One Year
Bonds payable	$ 4,955,000	$ 2,600,000	$ (645,000)	$ 6,910,000	$ 905,000
Capital leases	206,257	293,250	(175,797)	323,710	172,312
	$ 5,161,257	$ 2,893,250	$ (820,797)	$ 7,233,710	$ 1,077,312

General Obligation Bonds

Bonds payable at April 30, 2017 and 2016 are comprised of the following individual issues:

	2017	2016
$ 1,600,000 bonds due in annual installments of $ 160,000 through September 2025; interest at 2.145%	$ 1,440,000	$ 1,600,000
$ 1,000,000 bonds due in annual installments of $ 100,000 through September 2025; interest at 2.78%	900,000	1,000,000
$ 3,800,000 bonds due in annual installments of $ 225,000 beginning May 2005 through May 2012 and $ 250,000 through May 2020; interest at 3.20% - 3.80%	1,000,000	1,250,000
$ 1,500,000 bonds due in annual installments of $ 150,000 through April 29, 2021; interest at 2.59%	600,000	750,000
$ 3,250,000 bonds due in an annual installment of $ 100,000 in January 2010 and $ 175,000 thereafter until January 2028; interest at 3.500% - 4.375%	1,925,000	2,100,000
$ 525,000 bonds due in annual installments of $ 52,500 through October 2018; interest at 3.99%	105,000	157,500
$ 250,000 bonds due in annual installments of $ 12,500 through January 2019; interest at 4.98%	25,000	37,500
$ 100,000 bonds due in annual installments of $ 5,000 through January 2019; interest at 5.0%	10,000	15,000
	$ 6,005,000	$ 6,910,000

Debt service requirements to retire general obligation bonds outstanding at April 30, 2017 are as follows:

Year Ending April 30,	Principal	Interest	Totals
2018	$ 905,000	$ 183,091	$ 1,088,091
2019	905,000	153,919	1,058,919
2020	835,000	125,432	960,432
2021	835,000	99,726	934,726
2022	435,000	78,271	513,271
2023 - 2027	1,915,000	196,057	2,111,057
2028	175,000	7,656	182,656
	$ 6,005,000	$ 844,152	$ 6,849,152

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2017 and 2016 are comprised of the following individual issues:

	2017	2016
$138,919 equipment lease due in monthly installments of $4,107, including interest at 3.987% through June 2020	$ 138,919	$ -
$108,500 equipment lease due in monthly installments of $3,329 including interest at 7.9%, through May 2017	3,291	41,551
$256,200 equipment lease due in monthly installments of $13,920 between the months of December and April each year, including interest at 5.757% through April 2017	-	66,349
$73,690 equipment lease due in monthly installments of $2,269, including interest at 7.217% through April 2019	50,568	-
$304,000 equipment lease due in monthly installments of $16,060 between the months of December and April each year, including interest at 6.038% through April 2019	148,106	215,810
	$ 340,884	$ 323,710

Debt service requirements to retire capital lease obligations outstanding at April 30, 2017 are as follows:

Year Ending April 30,	Principal	Interest	Totals
2018	$ 136,357	$ 15,551	$ 151,908
2019	148,438	8,201	156,639
2020	47,916	1,367	49,283
2021	8,173	41	8,214
	$ 340,884	$ 25,160	$ 366,044

6. Deferred Inflows of Resources

Unearned Revenue

Unearned revenue at April 30, 2017 and 2016 consists of sales collected to various events or products where the revenue was not earned by year end. All revenues are expected to be recognized within one year of receipt. A summary of the principal items of unearned revenue is as follows:

	2017	2016
Camping	$ 62,148	$ 58,340
Bike week	18,316	21,698
Seasonal	87,220	95,152
Soulfest	102,473	94,649
Season pass sales	913,305	737,148
Outstanding gift certificates	339,416	340,049
Other unearned revenues	42,675	29,595
	$ 1,565,553	$ 1,376,631

7. Lease of Area Facilities

Restaurant Facilities

The Commission entered into a four-year agreement with an independent company to provide exclusive food services, including the sale of alcoholic beverages, at the Gunstock Area. The agreement commenced on November 1, 2015 with an expiration of October 31, 2019, renewable under the same terms and conditions for an additional four-year term. The agreement stipulates that the independent company pays Gunstock based on gross receipts from various food service location categories, ranging from 10 to 50% of sales. For any given year, once the various location categories reach a maximum sales target (ranging from $1,500,000 to $1,700,000), then the commissions will be increased on an incremental step-scale basis, respectively. During the years ended April 30, 2017 and 2016, the annual income received from food service commissions was $416,478 and $316,854, respectively.

The independent company shall make set annual payments to Gunstock to cover various utilities. The independent company shall commit to an annual Reserve Fund for maintenance, repair, and replacement of food and beverage equipment. Expenditures from the Reserve Fund should be based on 2% of annual gross receipts, commencing November 1, 2019. The independent company also agrees to provide a Capital Expenditure in the amount of $500,000. The capital expenditures will be amortized from the date of service until October 31, 2023, and are presented as leasehold improvements. At the completion of this period, the property belongs to Gunstock. Upon termination or expiration of the agreement, the independent company shall reimburse Gunstock for the entire unamortized balance of remaining capital expenditures. The net book value of the leasehold improvements at April 30, 2017 was $257,147, and the recognized capital contributions were $40,399. The net book value of the leasehold improvements at April 30, 2016 was $259,354, and the recognized capital contributions were $41,876.

Land Parcel

The Commission has contracted with a company to lease a parcel of land to operate a facility to conduct radio, telephone and other telecommunications operations. Per the agreement, commencing February 1, 2013 and each five-year anniversary thereafter, the rent for each five-year term shall increase based on the percentage change in the Consumer Price Index published by the Bureau of Labor and Statistics of the United States Department of Labor for all Urban Consumers, US City Average. In addition, the Commission will receive 25% of rental income if the land parcel is subleased to another entity.

The agreement provides that the Commission will receive rent payable in equal monthly installments. During the years ended April 30, 2017 and 2016, the annual income from the land lease was $58,145 and $58,145, respectively. The lessee is responsible for real estate taxes and utilities.

Tower Leases

The Commission has entered into various agreements to lease tower space to several independent companies for telecommunication and radio operations. These lease agreements range from being renewed on an annual basis to long-term agreements for a period of five years.

Tower lease rentals are payable in monthly installments. In addition, the Commission will receive an annual trade agreement of signal time from the lessee. During the years ended April 30, 2017 and 2016, the annual income from tower leases was $24,428 and $23,936, respectively.

Soul Festival

During November 2016, the Commission entered into a five-year agreement with a corporation to grant them the right to conduct the Soul Festival at the Gunstock Area Commission. The first event was held in August 2005. Terms of the agreement exist through 2021 but may be renewed for an additional five-year term. Terms of the agreement provide that the Commission will retain campsite sales up to $100,000 and 50% of these sales thereafter. In addition, the Commission will retain the income from summit chair lift rides up to $3,000 and 50% thereafter. During the years ended April 30, 2017 and 2016, the annual income from the Soul Festival was as follows:

	2017	2016
Camping	$ 121,573	$ 110,829
Chair lift rides	41,951	40,476
	$ 163,524	$ 151,305

8. Pension Plan

Profit Sharing Plan

Effective September 1, 2008, the Gunstock Area Commission entered into a profit sharing pension plan. The plan provides for participation by employees who have 1,000 hours of service in a twelve-month consecutive period and have attained the age of 21. Eligible employees may elect to enroll in this pension plan on a semi-annual basis and are eligible for normal retirement after age 62. Once eligible, employer contributions are vested in increments of 20% for each year of service. After six years of service, the employer contributions are 100% vested. The plan further provides that the Commission may contribute a uniform percentage of each participant's compensation at its sole discretion. An employee must be actively working on April 30 to receive an employer contribution.

If a participant terminates employment prior to attaining the normal retirement age, the maximum distribution amount is $5,000. Prior to termination of employment, a participant may elect a distribution from his vested account in the event of hardship or if he has attained the age of 59½. Once a participant reaches the normal retirement age of 62, the remainder of their funds are available.

Covered wages paid under this plan during the fiscal years ended April 30, 2017 and 2016 were $1,619,625 and $1,612,676. The Commission's contributions to the plan during fiscal years 2017 and 2016 were $46,833 and $48,380, respectively.

457(b) Plan

Effective September 1, 2008, the Gunstock Area Commission entered into a 457(b) pension plan. Employees may participate in the plan following one year of continuous service and have attained the age of 21. Under the plan, employees are eligible for normal retirement after age 62. Maximum contribution amounts are set by IRS regulations. In addition, participants are permitted to make age 50 catch-up contributions. No matching contribution is made by the Commission. A participant's contributions are 100% vested immediately without regard to additional service of employment. Prior to termination of employment, a participant may elect a distribution from his vested account in the event of an unforeseeable emergency or if he has attained the age of 70½.

9. Risk Management

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended April 30, 2017, the Commission participated in a public entity risk pool (Trust) for worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in the past year.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information, there is no liability at April 30, 2017.

10. Commitments and Contingencies

Belknap County Agreement

In October 2010, the Commission and Belknap County entered into a five-year agreement which requires the Commission to make an annual payment of $175,000 to the County, payable on or before March 31 of each year of the agreement. The purpose of this payment is to reduce the amount to be raised by taxes for funding of the budget of Belknap County and shall be derived from operating receipts through the operation of Gunstock.

Property and Liability Insurance

The Commission has acquired property and liability insurance, which is administered through a commercial insurer. General liability provides coverage up to $1,000,000 per incident and in the aggregate; the Commission’s deductible is $15,000 per incident and $75,000 in the aggregate. Umbrella liability provides coverage up to $9,000,000 per incident with a general aggregate limit of $12,000,000. In addition, the Commission has business interruption coverage of $4,000,000. The Commission has a self-insurance retention plan of $10,000 for umbrella liability. Insurance coverage for scheduled buildings and contents is $16,799,799 and $14,551,620 for inland marine, lifts, and snowmaking equipment; the Commission's deductible is $10,000 per incident, except for flood or earthquake at $25,000 per incident.

Litigation

Gunstock Area Commission is involved in certain litigations in the ordinary course of business, primarily its ski operations. Management, based on discussions with its insurer, is of the opinion that the ultimate disposition of these matters will not result in a material effect on the financial condition or results of operations at Gunstock Area Commission.

11. **Subsequent Events**

Revenue Anticipation Notes

The Commission secured a line of credit up to $650,000 during June 2017. Any borrowings are guaranteed to be repaid from operating revenues of the Commission. Subsequent to year end, the Commission has not yet borrowed against this line of credit. The interest rate on this line of credit is 1.05%. The borrowed amount, and accrued interest, is due on February 28, 2018.

Capital Lease

In May 2017, the Commission entered into a capital lease agreement for equipment totaling $280,769. The interest rate on this lease is 5% with semi-annual payments of $50,974 and a maturity date of September 2020.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF BELKNAP, NEW HAMPSHIRE

SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
01/01/10	$ -	$ 2,485,133	$ 2,485,133	0.0%	$ 6,425,803	38.67%
01/01/12	$ -	$ 2,057,668	$ 2,057,668	0.0%	$ 7,235,525	28.44%
01/01/14	$ -	$ 2,780,329	$ 2,780,329	0.0%	$ 7,019,767	39.61%
01/01/16	$ -	$ 2,545,179	$ 2,545,179	0.0%	$ 5,698,080	44.67%

See Independent Auditors' Report.

COUNTY OF BELKNAP, NEW HAMPSHIRE

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

New Hampshire Retirement System

Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2015	June 30,2015	0.29406323%	$ 11,649,395	$ 7,572,327	153.84%	65.47%
December 31, 2016	June 30,2016	0.29175149%	$ 15,514,164	$ 7,630,314	203.32%	58.30%
December 31, 2017	June 30,2017	0.29665067%	$ 14,589,259	$ 7,723,721	188.89%	62.66%

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

See Independent Auditors' Report.

COUNTY OF BELKNAP, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

New Hampshire Retirement System

Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	$ 1,006,248	$ 1,006,248	$ -	$ 7,530,108	13.36%
December 31, 2016	$ 1,058,301	$ 1,058,301	$ -	$ 7,681,817	13.78%
December 31, 2017	$ 1,114,408	$ 1,114,408	$ -	$ 7,770,171	14.34%

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

See Independent Auditors' Report.