

COUNTY OF BELKNAP, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Belknap, New Hampshire

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

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 County of Belknap, New Hampshire, (the County) as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise 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 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 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 County of Belknap, New Hampshire, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson Heath

May 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of County of Belknap, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2018.

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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements, and (4) required supplementary information.

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. Additionally, they distinguish functions that are principally supported by County taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

The 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 financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent 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, April 30, 2018. 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 County'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 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. Reconciliations are provided to facilitate the 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.

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(5,554,037) (i.e., net position), a change of \$2,521,642 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$4,229,045, a change of \$10,196,975 in comparison to the prior year. This change is primarily a result of the County receiving bond proceeds for its capital projects.
- At the end of the current year, unassigned fund balance for the General Fund was \$2,055,225 a change of \$1,752,063 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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 6,433,359	\$ 4,351,882
Noncurrent assets	<u>15,788,416</u>	<u>15,794,792</u>
Total assets	22,221,775	20,146,674
Deferred outflows of resources	1,795,882	2,091,077
Current liabilities	2,970,700	11,028,592
Noncurrent liabilities	<u>24,724,878</u>	<u>16,330,326</u>
Total liabilities	27,695,578	27,358,918
Deferred inflows of resources	1,876,116	740,831
Net position:		
Net investment in capital assets	7,997,081	7,926,451
Restricted	68,730	50,107
Unrestricted	<u>(13,619,848)</u>	<u>(13,838,556)</u>
Total net position	<u>\$ (5,554,037)</u>	<u>\$ (5,861,998)</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,956,151	\$ 11,162,467
Operating grants and contributions	946,491	517,494
General revenues:		
County taxes	14,880,726	12,963,440
Investment income	42,147	37,103
Miscellaneous	575,351	299,407
Transfers from Gunstock Area Commission	<u>-</u>	<u>175,000</u>
Total revenues	30,400,866	25,154,911

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Expenses:		
General government	2,815,600	2,753,154
Public safety	2,126,498	2,165,082
Corrections	4,290,706	4,164,230
Human services	6,620,124	6,391,431
Cooperative extension	215,275	212,216
Economic development	454,830	-
Nursing home	10,964,895	11,322,832
Interest	391,296	107,039
Total expenses	<u>27,879,224</u>	<u>27,115,984</u>
Change in net position	2,521,642	(1,961,073)
Net position - beginning of year, as restated *	<u>(8,075,679)</u>	<u>(3,900,925)</u>
Net position - end of year	<u>\$ (5,554,037)</u>	<u>\$ (5,861,998)</u>

* Net position reported above for 2017 was not restated to reflect the implementation of GASB 75, as the County applied GASB 75 prospectively.

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 \$(5,554,037), a change of \$2,521,642 from the prior year.

The largest portion of net position, \$7,997,081, 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, \$68,730, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit, primarily a result of the implementation of GASB 68 and GASB 75 related to the net pension liability and the net OPEB liability.

Governmental activities for the year resulted in a change in net position of \$2,521,642. Key elements of this change are as follows:

Governmental funds operating results	\$ 10,196,975
Purchase of capital assets, net of disposals and capital lease proceeds	631,355
Depreciation expense in excess of principal debt service	(418,123)
Proceeds of bonds and bond premium	(7,800,000)
Change in accrued interest liability	(168,224)
Change in compensated absence liability	(37,737)
Change in net pension liability and related deferrals	222,549
Change in net OPEB liability and related deferrals	(105,153)
Total	<u>\$ 2,521,642</u>

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.

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 governmental funds was \$4,229,045, a change of \$10,196,975 in comparison to the prior year. Key elements of this change are as follows:

General Fund operating results	\$ 2,523,237
Capital Projects Fund operating results	7,657,398
Nonmajor Governmental Fund operating results	<u>16,340</u>
Total	<u>\$ 10,196,975</u>

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$2,055,225, while total fund balance was \$4,108,901. 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.

<u>General Fund</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>	<u>Percentage of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,055,225	\$ 303,162	\$ 1,752,063	7.5%
Total fund balance	\$ 4,108,901	\$ 1,585,664	\$ 2,523,237	15.0%

The fund balance of the General Fund changed by \$2,523,237 during the current year. Key factors in this change are as follows:

Revenues greater than budget	\$ 1,741,682
Expenditures less than appropriations	684,899
Use of fund balance - reduce taxes	(1,000,000)
Reserve excess Proshare funds for IDN	1,192,015
Other GAAP adjustments	<u>(95,359)</u>
Total	<u>\$ 2,523,237</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,192,015. This change relates to a supplemental appropriation to reserve excess Proshare funds for IDN.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$15,788,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and construction in progress.

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 \$7,800,000, all of which was backed by the full faith and credit of the County. In addition, the County had notes payable totaling \$12,167 and outstanding capital leases of \$77,752.

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 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, 2018

	<u>Primary Government Governmental Activities</u>	Gunstock Area Commission (Component Unit - April 30, 2018)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and short-term investments	\$ 4,893,293	\$ 1,059,412
Restricted cash	50,675	-
Investments	-	262,408
Accounts receivable, net	1,446,783	100,918
Due from external parties	11,020	-
Inventory, net	31,588	694,243
Prepaid expenses	-	96,564
Total Current Assets	<u>6,433,359</u>	<u>2,213,545</u>
Noncurrent Assets:		
Capital assets:		
Land	144,829	2,197,595
Construction in progress	173,859	-
Capital assets, net of accumulated depreciation	<u>15,469,728</u>	<u>12,241,618</u>
Total Noncurrent Assets	<u>15,788,416</u>	<u>14,439,213</u>
Total Assets	22,221,775	16,652,758
Deferred Outflows of Resources:		
Related to pension	1,654,243	-
Related to OPEB	<u>141,639</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,795,882</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	24,017,657	16,652,758
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Accounts payable	2,034,727	409,802
Accrued expenses	338,825	311,959
Deposits payable	-	65,144
Restricted cash liability	3,505	-
Current portion of noncurrent liabilities:		
Bonds payable	131,824	905,000
Notes payable	12,167	-
Capital lease payable	24,363	264,516
Compensated absences	<u>425,289</u>	<u>-</u>
Total Current Liabilities	<u>2,970,700</u>	<u>1,956,421</u>
Noncurrent Liabilities:		
Bonds payable, net of current portion	7,668,176	4,195,000
Capital lease payable, net of current portion	53,389	277,917
Compensated absences, net of current portion	137,170	-
Net pension liability	13,531,537	-
Net OPEB liability	<u>3,334,606</u>	<u>-</u>
Total Noncurrent Liabilities	<u>24,724,878</u>	<u>4,472,917</u>
Total Liabilities	27,695,578	6,429,338
Deferred Inflows of Resources:		
Related to pension	1,139,170	-
Related to OPEB	736,946	-
Unearned revenue	<u>-</u>	<u>1,515,800</u>
Total Deferred Inflows of Resources	<u>1,876,116</u>	<u>1,515,800</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	29,571,694	7,945,138
NET POSITION		
Net investment in capital assets	7,997,081	8,796,780
Restricted	68,730	-
Unrestricted	<u>(13,619,848)</u>	<u>(89,160)</u>
TOTAL NET POSITION	\$ <u>(5,554,037)</u>	\$ <u>8,707,620</u>

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, 2018

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position Governmental Activities</u>	<u>Gunstock Area Commission (Component Unit- for the year ended April 30, 2018)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental Activities:					
General government	\$ 2,815,600	\$ 945,819	\$ 86,359	\$ (1,783,422)	
Public safety	2,126,498	375,647	-	(1,750,851)	
Corrections	4,290,706	113,883	66,138	(4,110,685)	
Human services	6,620,124	-	339,164	(6,280,960)	
Cooperative extension	215,275	-	-	(215,275)	
Economic development	454,830	-	454,830	-	
Nursing home	10,964,895	12,520,802	-	1,555,907	
Interest	<u>391,296</u>	<u>-</u>	<u>-</u>	<u>(391,296)</u>	
Total Governmental Activities	<u>\$ 27,879,224</u>	<u>\$ 13,956,151</u>	<u>\$ 946,491</u>	(12,976,582)	
Component Unit:					
Gunstock Area Commission	\$ <u>11,264,734</u>	\$ <u>10,541,248</u>	\$ <u>-</u>		\$ <u>(723,486)</u>
Total Component Unit	<u>\$ 11,264,734</u>	<u>\$ 10,541,248</u>	<u>\$ -</u>		(723,486)
General Revenues:					
County taxes				14,880,726	-
Investment income				42,147	7,835
Miscellaneous				<u>575,351</u>	<u>70,340</u>
Total general revenues and transfers				<u>15,498,224</u>	<u>78,175</u>
Change in Net Position				2,521,642	(645,311)
Net Position:					
Beginning of year, as restated				<u>(8,075,679)</u>	<u>9,352,931</u>
End of year				<u>\$ (5,554,037)</u>	<u>\$ 8,707,620</u>

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,724,381	\$ 157,555	\$ 11,357	\$ 4,893,293
Restricted cash	50,675	-	-	50,675
Accounts receivable, net	1,445,489	-	1,294	1,446,783
Due from other funds	33,528	-	9,469	42,997
Inventory	<u>31,588</u>	<u>-</u>	<u>-</u>	<u>31,588</u>
TOTAL ASSETS	\$ <u>6,285,661</u>	\$ <u>157,555</u>	\$ <u>22,120</u>	\$ <u>6,465,336</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,997,704	\$ 36,463	\$ 560	\$ 2,034,727
Accrued expenses	166,082	-	-	166,082
Restricted cash liability	3,505	-	-	3,505
Due to other funds	<u>9,469</u>	<u>22,508</u>	<u>-</u>	<u>31,977</u>
Total Liabilities	2,176,760	58,971	560	2,236,291
Fund Balances:				
Nonspendable	31,588	-	-	31,588
Restricted	47,170	98,584	21,560	167,314
Assigned	1,974,918	-	-	1,974,918
Unassigned	<u>2,055,225</u>	<u>-</u>	<u>-</u>	<u>2,055,225</u>
Total Fund Balances	<u>4,108,901</u>	<u>98,584</u>	<u>21,560</u>	<u>4,229,045</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,285,661</u>	\$ <u>157,555</u>	\$ <u>22,120</u>	\$ <u>6,465,336</u>

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, 2018

Total governmental fund balances	\$ 4,229,045
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	15,788,416
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(172,743)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable, including unamortized premium	(7,800,000)
Notes payable	(12,167)
Capital lease payable	(77,752)
Compensated absences	(562,459)
Net pension liability and related deferred outflows/inflows of resources	(13,016,464)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(3,929,913)</u>
Net position of governmental activities	\$ <u>(5,554,037)</u>

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, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
County taxes	\$ 14,880,726	\$ -	\$ -	\$ 14,880,726
Nursing home	12,520,802	-	-	12,520,802
Charges for services	1,435,349	-	-	1,435,349
Intergovernmental	491,661	-	454,830	946,491
Investment income	42,147	-	-	42,147
Miscellaneous	<u>555,938</u>	<u>3,309</u>	<u>16,340</u>	<u>575,587</u>
Total Revenues	29,926,623	3,309	471,170	30,401,102
Expenditures:				
Current:				
General government	2,640,810	-	-	2,640,810
Public safety	2,176,567	-	-	2,176,567
Corrections	4,279,843	-	-	4,279,843
Human services	6,620,124	-	-	6,620,124
Cooperative extension	215,275	-	-	215,275
Economic development	-	-	454,830	454,830
Nursing home	10,802,142	-	-	10,802,142
Capital outlay	142,083	312,213	-	454,296
Debt service:				
Principal	245,000	-	-	245,000
Interest	<u>223,073</u>	<u>-</u>	<u>-</u>	<u>223,073</u>
Total Expenditures	<u>27,344,917</u>	<u>312,213</u>	<u>454,830</u>	<u>28,111,960</u>
Excess (deficiency) of revenues over expenditures	2,581,706	(308,904)	16,340	2,289,142
Other Financing Sources (Uses):				
Proceeds of bonds	-	7,426,900	-	7,426,900
Proceeds of bond premium	-	373,100	-	373,100
Proceeds of capital leases	107,833	-	-	107,833
Transfers in	-	166,302	-	166,302
Transfers out	<u>(166,302)</u>	<u>-</u>	<u>-</u>	<u>(166,302)</u>
Total Other Financing Sources (Uses)	<u>(58,469)</u>	<u>7,966,302</u>	<u>-</u>	<u>7,907,833</u>
Change in Fund Balance	2,523,237	7,657,398	16,340	10,196,975
Fund Balance, at Beginning of Year	<u>1,585,664</u>	<u>(7,558,814)</u>	<u>5,220</u>	<u>(5,967,930)</u>
Fund Balance, at End of Year	\$ <u><u>4,108,901</u></u>	\$ <u><u>98,584</u></u>	\$ <u><u>21,560</u></u>	\$ <u><u>4,229,045</u></u>

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, 2018

Net changes in fund balances - governmental funds **\$ 10,196,975**

- 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	739,422
Depreciation	(745,564)
Loss on disposal of capital assets	(234)

- 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:

Proceeds of bonds and bond premium	(7,800,000)
Repayments of bonds	245,000
Repayments of note payable	11,640
Proceeds of capital lease	(107,833)
Repayments of capital lease	70,801

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (168,224)

- 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 governmental funds:

Compensated absences	(37,737)
Net pension liability and related deferred outflows/inflows of resources	222,549
Net OPEB liability and related deferred outflows/inflows of resources	<u>(105,153)</u>

Change in net position governmental activities **\$ 2,521,642**

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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
County taxes	\$ 14,880,726	\$ 14,880,726	\$ 14,880,726	\$ -
Nursing home	9,817,000	11,009,015	12,520,802	1,511,787
Charges for services	1,463,450	1,463,450	1,435,349	(28,101)
Intergovernmental	490,000	490,000	491,661	1,661
Investment income	11,500	11,500	42,147	30,647
Miscellaneous	<u>330,250</u>	<u>330,250</u>	<u>555,938</u>	<u>225,688</u>
Total Revenues	26,992,926	28,184,941	29,926,623	1,741,682
Expenditures:				
Current:				
General government	2,858,568	2,858,568	2,633,056	225,512
Public safety	2,120,799	2,120,799	2,098,872	21,927
Corrections	4,289,729	4,289,729	4,275,088	14,641
Human services	6,586,357	7,778,372	7,812,139	(33,767)
Cooperative extension	215,275	215,275	215,275	-
Nursing home	11,252,538	11,252,538	10,761,076	491,462
Capital outlay	178,700	178,700	236,463	(57,763)
Debt service:				
Principal	245,000	245,000	245,000	-
Interest	<u>245,960</u>	<u>245,960</u>	<u>223,073</u>	<u>22,887</u>
Total Expenditures	<u>27,992,926</u>	<u>29,184,941</u>	<u>28,500,042</u>	<u>684,899</u>
Excess (deficiency) of revenues over expenditures before other financing sources	(1,000,000)	(1,000,000)	1,426,581	2,426,581
Other Financing Sources:				
Use of fund balance - reduce taxes	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,426,581</u>	<u>\$ 2,426,581</u>

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, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 10,971	\$ 78,580
Due from General Fund	<u>910</u>	<u>-</u>
Total Assets	11,881	78,580
LIABILITIES		
Due to General Fund	-	11,930
Due to others	<u>-</u>	<u>66,650</u>
Total Liabilities	<u>-</u>	<u>78,580</u>
NET POSITION		
Total net position held in trust	\$ <u><u>11,881</u></u>	\$ <u><u>-</u></u>

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, 2018

	Private Purpose Trust <u>Funds</u>
Additions:	
Contributions	\$ <u>3,374</u>
Total additions	3,374
Deductions:	
Other	<u>4,859</u>
Total deductions	<u>4,859</u>
Net decrease	(1,485)
Net position:	
Beginning of year	<u>13,366</u>
End of year	\$ <u><u>11,881</u></u>

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of 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 accounting policies:

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 is 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, 2018, which differs from the County's calendar operating year of December 31, 2018. 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.

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 County. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which 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.

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*. 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. 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 pension and OPEB costs are recorded as expenditures 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.

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). Agency funds report only asset and liabilities and, therefore, have no measurement focus.

Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

Interfund Receivables and Payables

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).

Inventory

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

Capital Assets

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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 40
Machinery and equipment	3 - 20

Compensated Absences

It is the County's policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. All vested vacation and sick 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.

Long-Term Liabilities

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.

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/deferred outflows and current liabilities/deferred inflows. 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.

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 Officers 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 \$4.6 million, which is 16% of budgeted appropriations. Two months of General Fund operating revenues would be approximately \$4.5 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 17% based on the recommended 2019 budget.

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 revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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.

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 actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,926,623	\$ 27,344,917
Other financing sources/uses (GAAP Basis)	<u>107,833</u>	<u>166,302</u>
Subtotal (GAAP Basis)	30,034,456	27,511,219
Reverse beginning of year appropriation carryforwards from expenditures	-	(137,230)
Add end of year appropriation carryforwards to expenditures	-	208,173
Reserve excess Proshare funds for IDN	-	1,192,015
Reverse unbudgeted transfer	-	(166,302)
Reverse proceeds of capital lease	<u>(107,833)</u>	<u>(107,833)</u>
Budgetary Basis	<u>\$ 29,926,623</u>	<u>\$ 28,500,042</u>

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 limits deposits as follows, “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, 2018, \$3,645,700 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 \$50,675 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 \$216,000 at December 31, 2018, 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, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 33,528	\$ 9,469
Capital Projects Funds	-	22,508
Nonmajor Governmental Funds	9,469	-
Private Purpose Trust Funds	910	-
Agency Funds	-	11,930
Total	<u>\$ 43,907</u>	<u>\$ 43,907</u>

Transfers

The County reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table below agrees with the sum of all interfund transfers presented in the governmental fund financial statements.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 166,302
Capital Projects Fund	166,302	-
Total	<u>\$ 166,302</u>	<u>\$ 166,302</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,829	\$ 8,109	\$ -	\$ 28,938
Machinery and equipment	<u>3,616</u>	<u>285</u>	<u>(54)</u>	<u>3,847</u>
Total capital assets, being depreciated	24,445	8,394	(54)	32,785
Less accumulated depreciation for:				
Buildings and improvements	(14,083)	(530)	-	(14,613)
Machinery and equipment	<u>(2,541)</u>	<u>(215)</u>	<u>54</u>	<u>(2,702)</u>
Total accumulated depreciation	(16,624)	(745)	54	(17,315)
Total capital assets, being depreciated, net	7,821	7,649	-	15,470
Capital assets, not being depreciated:				
Land	145	-	-	145
Construction in progress	<u>7,829</u>	<u>454</u>	<u>(8,109)</u>	<u>174</u>
Total capital assets, not being depreciated	<u>7,974</u>	<u>454</u>	<u>(8,109)</u>	<u>319</u>
Governmental activities capital assets, net	<u>\$ 15,795</u>	<u>\$ 8,103</u>	<u>\$ (8,109)</u>	<u>\$ 15,789</u>

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

Governmental Activities:	
General government	\$ 190
Public safety	112
Corrections	28
Nursing home	<u>415</u>
Total depreciation expense - governmental activities	<u>\$ 745</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County 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 pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Anticipation Notes Payable

The following summarizes anticipation notes payable activity during 2018 (in thousands):

	<u>Issue Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 8,000	03/31/17	03/27/18	1.08%	\$ 8,000	\$ -	\$ (8,000)	\$ -
Bond anticipation	\$ 8,000	03/27/18	06/19/18	1.40%	-	8,000	(8,000)	-
Tax anticipation	\$ 7,600	01/31/18	12/28/18	1.65%	-	7,600	(7,600)	-
Tax anticipation	\$ 4,000	07/18/18	12/28/18	2.10%	-	4,000	(4,000)	-
Total					<u>\$ 8,000</u>	<u>\$ 19,600</u>	<u>\$ (27,600)</u>	<u>\$ -</u>

On February 21, 2019, the County issued a \$6,090,000 tax anticipation note with a maturity date of December 30, 2019 and an interest rate of 2.50%.

10. Capital Lease Obligations

The County is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2018:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 24,363	\$ 4,859	\$ 29,222
2020	25,885	3,337	29,222
2021	<u>27,504</u>	<u>1,719</u>	<u>29,223</u>
Total	<u>\$ 77,752</u>	<u>\$ 9,915</u>	<u>\$ 87,667</u>

Equipment financed by capital leases payable totaling \$107,833 is reported in capital assets net of \$10,227 accumulated depreciation.

11. Long-Term Liabilities

General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Corrections Building Bond	08/15/43	3.1 - 5.1%	\$ <u>7,426,900</u>
Total			\$ <u>7,426,900</u>

Notes Payable

In 2016, the County entered into an agreement to provide funds for the acquisition of a vehicle. At December 31, 2018, notes payable outstanding were as follows:

<u>Governmental Activities</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/2018</u>
Vehicles	2019	4.09%	\$ <u>12,167</u>
Total			\$ <u>12,167</u>

Future Debt Service

The annual payments to retire all general obligation bonds and notes outstanding as of December 31, 2018 are as follows:

<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 116,900	\$ 362,389	\$ 479,289
2020	175,000	303,185	478,185
2021	185,000	294,260	479,260
2022	195,000	284,825	479,825
2023	205,000	274,880	479,880
2024-2028	1,185,000	1,207,120	2,392,120
2029-2033	1,485,000	908,825	2,393,825
Thereafter	<u>3,880,000</u>	<u>903,491</u>	<u>4,783,491</u>
Total	\$ <u>7,426,900</u>	\$ <u>4,538,975</u>	\$ <u>11,965,875</u>

<u>Notes Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ <u>12,167</u>	\$ <u>341</u>	\$ <u>12,508</u>
Total	\$ <u>12,167</u>	\$ <u>341</u>	\$ <u>12,508</u>

Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/18	Additions	Reductions	Total Balance 12/31/18	Less Current Portion	Equals Long-Term Portion 12/31/18
<u>Governmental Activities</u>						
Bonds payable	\$ 245	\$ 7,427	\$ (245)	\$ 7,427	\$ (117)	\$ 7,310
Unamortized premium	-	373	-	373	(15)	358
Subtotal	245	7,800	(245)	7,800	(132)	7,668
Other:						
Notes payable	24	-	(12)	12	(12)	-
Capital lease payable	41	108	(71)	78	(24)	54
Compensated absences	525	37	-	562	(425)	137
Net pension liability	14,589	-	(1,057)	13,532	-	13,532
Net OPEB liability *	2,963	372	-	3,335	-	3,335
Totals	\$ 18,387	\$ 8,317	\$ (1,385)	\$ 25,319	\$ (593)	\$ 24,726

* As restated for GASB 75.

12. Deferred Inflows of Resources

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

13. Governmental Funds - Fund Balances

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

The County has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2018:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority.

Assigned - Represents amounts that are constrained by the County's intent to use these resources for a specific purpose. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet received.

Unassigned - Represents amounts that are available to be spent in future periods and deficit funds.

The following is a summary of fund balances at December 31, 2018:

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Inventory	\$ 31,588	\$ -	\$ -	\$ 31,588
Total Nonspendable	31,588	-	-	31,588
Restricted:				
Deeds surcharge account	47,170	-	-	47,170
Capital projects fund	-	98,584	-	98,584
Unexpended grant funds	-	-	21,560	21,560
Total Restricted	47,170	98,584	21,560	167,314
Assigned:				
IDN reserve	1,192,015	-	-	1,192,015
Use of fund balance for subsequent year budget	574,730	-	-	574,730
Encumbrances	208,173	-	-	208,173
Total Assigned	1,974,918	-	-	1,974,918
Unassigned:				
Remaining fund balance	2,055,225	-	-	2,055,225
Total Unassigned	2,055,225	-	-	2,055,225
Total Fund Balances	\$ 4,108,901	\$ 98,584	\$ 21,560	\$ 4,229,045

14. **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).

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.

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 $\frac{1}{60}$ or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at $\frac{1}{66}$ 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 $\frac{1}{4}$ 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.

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 11.38% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2018 were \$1,204,791, which were equal to the annual required contribution.

Summary of Significant Accounting Policies

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

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

At December 31, 2018, the County reported a liability of \$13,531,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The 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 the most recent measurement date of June 30, 2018, the County's proportion was .28101700%, which was a decrease of 0.01563367% from its previous year proportion.

For the year ended December 31, 2018, the County recognized pension expense of \$981,936. 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	\$ 108,006	\$ 109,565
Net difference between projected and actual investment earnings	-	313,132
Changes of assumptions	936,449	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	716,473
Contributions subsequent to the measurement date	609,788	-
Total	<u>\$ 1,654,243</u>	<u>\$ 1,139,170</u>

\$609,788 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 2019. 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:

2019	\$ (226,236)
2020	(225,454)
2021	380,403
2022	166,002
Total	<u>\$ 94,715</u>

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2018 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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	<u>7.00</u>	1.14%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.25%
Opportunistic	<u>5.00</u>	2.15%
Total alternative investments	15.00	
Real Estate	<u>10.00</u>	3.25%
Total	<u><u>100.00</u></u> %	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that

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

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

The following presents the 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:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1%</u> <u>Increase</u>
\$ 18,003,821	\$ 13,531,537	\$ 9,783,627

Pension Plan Fiduciary Net Position

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

15. Other Post-Employment Benefits – OPEB (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of Statement No. 45, (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.) GASB Statement No. 75 establishes standards for recognizing and measuring assets, liabilities, deferred outflows/inflows of resources, and expenditures related to other post-employment benefits (OPEB) liabilities and identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The following disclosures are based on a measurement date of December 31, 2018, determined on an actuarial valuation dated January 1, 2018.

Plan Description

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

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

Benefits Provided

The County provides post-employment healthcare benefits to retirees, and their covered spouses: All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

Membership Data

As of January 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	<u>126</u>
Total participants covered by OPEB plan	<u><u>132</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability of \$2,249,379 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.10%
Salary increases	2.00%
Healthcare cost trend rates:	
Current year trend	5.62%
Second year trend	9.50%
Decrement	0.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2028

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of January 1, 2018.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006).

Changes in the Total OPEB Liability

Total OPEB liability at January 1, 2018	\$ 2,237,481
Service cost	188,075
Interest	75,798
Assumption changes	(183,899)
Benefit payments	<u>(68,076)</u>
Total OPEB liability at December 31, 2018	<u>\$ 2,249,379</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,558,293	\$ 2,249,379	\$ 1,984,486

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

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$1,919,927	\$2,249,379	\$2,649,802

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

For the year ended December 31, 2018, the County recognized OPEB expense of \$125,120. At December 31, 2018, the County reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 733,498
Changes of assumptions or other inputs	5,044	-
Total	\$ <u>5,044</u>	\$ <u>733,498</u>

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

Year ended December 31:

2019	\$ 138,753
2020	138,753
2021	138,753
2022	138,753
2023	138,753
Thereafter	<u>34,689</u>
Total	\$ <u>728,454</u>

New Hampshire Retirement System Medical Subsidy Plan

Plan Description

In addition to the County's OPEB plan discussed above, the County participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan (MSP). The NHRS MSP is a cost-sharing, multiple-employer other post-employment benefit plan for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees.

Benefits Provided

NHRS MSP provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific

conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving MSP benefits differ for Group I and Group II members. The monthly MSP rates are:

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

Actuarial Assumptions and Other Inputs

The County's proportionate share of the NHRS MSP OPEB liability as of December 31, 2018 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:

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

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

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

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The County's proportionate share of the net OPEB liability for the NHRS MSP as of the measurement date of June 30, 2018 was \$1,085,227.

For the year ended December 31, 2018, the County recognized expense related to the NHRS MSP of \$390,955. At December 31, 2018, the County reported related deferred inflows and outflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 54,102	\$ -
Difference between expected and actual experience	6,370	-
Change in proportion	76,123	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>3,448</u>
Total	<u>\$ 136,595</u>	<u>\$ 3,448</u>

Contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in 2019.

Amounts reported as deferred outflows and inflows of resources will be recognized in expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ (81,417)
2020	1,076
2021	1,076
2022	<u>220</u>
Total	<u>\$ (79,045)</u>

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

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

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,129,509	\$ 1,085,227	\$ 961,186

Consolidation of OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the County's total OPEB liability and related deferred outflows/inflows, and the County's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2018:

	Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
County OPEB Plan	\$ 2,249,379	\$ 5,044	\$ 733,498
NHRS Medical Subsidy Plan	<u>1,085,227</u>	<u>136,595</u>	<u>3,448</u>
Total	\$ <u>3,334,606</u>	\$ <u>141,639</u>	\$ <u>736,946</u>

16. **Commitments and Contingencies**

Outstanding Legal Matters – On an ongoing basis, there are typically pending legal matters in which the County is involved. The County’s management is of the opinion that the potential future settlement of these matters 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. **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.

The Belknap County Convention resolved on March 20, 2018 to require that the Commission turn over excess “sums accumulated and on hand” to the County pursuant to New Hampshire Laws of 1959, Chapter 399:14 (c) within 45 days of the close of the fiscal year. Excess “sums accumulated and on hand” are calculated as any sums accumulated and on hand at the end of the fiscal year in excess of twenty five (25%) of the average gross income of the three (3) immediately preceding fiscal years, not required for the payment of outstanding bills or amortization of outstanding indebtedness. For the year ended April 30, 2018, the Commission did not meet the requirements for returning excess funds to the County.

18. Beginning Net Position Restatement

The beginning (January 1, 2018) net position of the County has been restated from the previous year to conform to GASB Statement No. 75. In accordance with GASB Statement No. 75, the County has elected to apply the standard prospectively and not recalculate OPEB related deferred outflows and inflows for prior periods.

	Governmental <u>Activities</u>
As previously reported	\$ (5,861,998)
GASB 75 implementation	<u>(2,213,681)</u>
Total	<u><u>\$ (8,075,679)</u></u>

**GUNSTOCK AREA COMMISSION
NOTES TO FINANCIAL STATEMENTS**

GUNSTOCK AREA COMMISSION

Notes to Financial Statements

April 30, 2018 and 2017

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, 2018 and 2017, 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:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 25
Buildings and improvements	3 - 33
Equipment	3 - 25
Leasehold improvements	5 - 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 use either through 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, 2018 and 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,059,412	\$ 1,818,696
Investments	<u>262,408</u>	<u>260,263</u>
	<u>\$ 1,321,820</u>	<u>\$ 2,078,959</u>

Deposits and investments as of April 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 8,572	\$ 8,249
Deposits with financial institutions	<u>1,313,248</u>	<u>2,070,710</u>
	<u>\$ 1,321,820</u>	<u>\$ 2,078,959</u>

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 an FDIC Insured operating account which sweeps balances daily above the FDIC limit to an Insured Cash Sweep account. The funds in the Insured Cash Sweep (ICS) are 100% FDIC Insured through placement in the Promontory Network. This is an approved method of collateralizing public funds (Including Counties) in the State of New Hampshire, specifically under RSA 6:8, 29:1. The Commission has entered into an ICS Deposit Placement Agreement with Franklin Savings Bank.

3. Capital Assets

The following is a summary of changes in capital assets during the years ended April 30, 2018 and 2017:

	Balance 5/1/17	Additions	Reductions	Balance 4/30/18
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	9,183	-	(9,183)	-
Total capital assets, not being depreciated	2,206,778	-	(9,183)	2,197,595
Other capital assets:				
Land improvements	2,667,935	-	-	2,667,935
Buildings and improvements	4,910,424	37,775	-	4,948,199
Equipment	26,666,042	970,053	(50,416)	27,585,679
Leasehold improvements	675,652	-	-	675,652
Total other capital assets at historical cost	34,920,053	1,007,828	(50,416)	35,877,465
Less accumulated depreciation for:				
Land improvements	(1,248,840)	(113,828)	-	(1,362,668)
Buildings and improvements	(3,688,773)	(162,305)	-	(3,851,078)
Equipment	(16,587,995)	(1,422,272)	45,069	(17,965,198)
Leasehold improvements	(418,009)	(38,894)	-	(456,903)
Total accumulated depreciation	(21,943,617)	(1,737,299)	45,069	(23,635,847)
Total other capital assets, net	12,976,436	(729,471)	(5,347)	12,241,618
Total capital assets, net	\$ 15,183,214	\$ (729,471)	\$ (14,530)	\$ 14,439,213

	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	<u>1,859,163</u>	<u>9,183</u>	<u>(1,859,163)</u>	<u>9,183</u>
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	<u>637,144</u>	<u>38,508</u>	<u>-</u>	<u>675,652</u>
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	<u>(377,610)</u>	<u>(40,399)</u>	<u>-</u>	<u>(418,009)</u>
Total accumulated depreciation	<u>(20,291,971)</u>	<u>(1,651,646)</u>	<u>-</u>	<u>(21,943,617)</u>
Total other capital assets, net	<u>11,270,682</u>	<u>1,705,754</u>	<u>-</u>	<u>12,976,436</u>
Total capital assets, net	<u>\$ 15,327,440</u>	<u>\$ 1,714,937</u>	<u>\$ (1,859,163)</u>	<u>\$ 15,183,214</u>

Depreciation expense was charged as follows:

	2018	2017
Departmental expenses:		
Trams and tows	\$ 639,625	\$ 628,721
Restaurant	16,159	15,983
Summer attractions	469,405	406,343
Ski shop rentals	47,993	62,712
Ski touring	7,019	9,915
Ski learning center	1,319	1,319
Camping and swimming pool	18,089	17,075
Programs (functions)	1,865	2,029
General expenses	486,610	475,223
Administrative expenses	<u>49,215</u>	<u>32,326</u>
	<u>\$ 1,737,299</u>	<u>\$ 1,651,646</u>

The balance of the assets acquired through capital leases as of April 30, 2018 and 2017 is as follows:

	2018	2017
Equipment	\$ 1,008,802	\$ 918,709
Less: Accumulated depreciation	<u>(137,814)</u>	<u>(181,344)</u>
	<u>\$ 870,988</u>	<u>\$ 737,365</u>

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance - May 1	\$ -	\$ -
Additions	650,000	950,000
Reductions	<u>(650,000)</u>	<u>(950,000)</u>
Balance - April 30	<u>\$ -</u>	<u>\$ -</u>

5. Long-Term Obligations

Changes in Long-Term Obligations

The changes in long-term debt obligations for the years ended April 30, 2018 and 2017 are as follows:

<u>Type</u>	<u>Balance</u> <u>5/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>4/30/18</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 6,005,000	\$ -	\$ (905,000)	\$ 5,100,000	\$ 905,000
Capital leases	<u>340,884</u>	<u>478,716</u>	<u>(277,167)</u>	<u>542,433</u>	<u>264,516</u>
	<u>\$ 6,345,884</u>	<u>\$ 478,716</u>	<u>\$ (1,182,167)</u>	<u>\$ 5,642,433</u>	<u>\$ 1,169,516</u>

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

General Obligation Bonds

Bonds payable at April 30, 2018 and 2017 are comprised of the following individual issues:

	<u>2018</u>	<u>2017</u>
\$ 1,600,000 bonds due in annual installments of \$ 160,000 through September 2025; interest at 2.145%	\$ 1,280,000	\$ 1,440,000
\$ 1,000,000 bonds due in annual installments of \$ 100,000 through September 2025; interest at 2.78%	800,000	900,000
\$ 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%	750,000	1,000,000
\$ 1,500,000 bonds due in annual installments of \$ 150,000 through April 29, 2021; interest at 2.59%	450,000	600,000
\$ 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%	1,750,000	1,925,000
\$ 525,000 bonds due in annual installments of \$ 52,500 through October 2018; interest at 3.99%	52,500	105,000
\$ 250,000 bonds due in annual installments of \$ 12,500 through January 2019; interest at 4.98%	12,500	25,000
\$ 100,000 bonds due in annual installments of \$ 5,000 through January 2019; interest at 5.0%	<u>5,000</u>	<u>10,000</u>
	<u>\$ 5,100,000</u>	<u>\$ 6,005,000</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2018 are as follows:

Year Ending			
<u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	435,000	65,059	500,059
2024 - 2028	<u>1,655,000</u>	<u>138,654</u>	<u>1,793,654</u>
	<u>\$ 5,100,000</u>	<u>\$ 661,061</u>	<u>\$ 5,761,061</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2018 and 2017 are comprised of the following individual issues:

	<u>2018</u>	<u>2017</u>
\$138,919 equipment lease due in monthly installments of \$4,107, including interest at 3.987% through June 2020	\$ 102,135	\$ 138,919
\$108,500 equipment lease due in monthly installments of \$3,329 including interest at 7.9%, through May 2017	-	3,291
\$127,755 equipment lease due in yearly installments of \$26,582, including interest at 2.0% through June 2022	102,000	-
\$350,961 equipment lease due in semi-annual installments of \$50,974, including interest at 5.19% through September 2020	235,906	-
\$73,690 equipment lease due in monthly installments of \$2,269, including interest at 7.217% through April 2019	26,193	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	<u>76,199</u>	<u>148,106</u>
	<u>\$ 542,433</u>	<u>\$ 340,884</u>

Debt service requirements to retire capital lease obligations outstanding at April 30, 2018 are as follows:

Year Ending				
<u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	
2019	\$ 264,516	\$ 20,653	\$ 285,169	
2020	168,483	9,330	177,813	
2021	83,377	2,393	85,770	
2022	<u>26,057</u>	<u>526</u>	<u>26,583</u>	
	<u>\$ 542,433</u>	<u>\$ 32,902</u>	<u>\$ 575,335</u>	

6. Unearned Revenue

Unearned revenue at April 30, 2018 and 2017 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:

	<u>2018</u>	<u>2017</u>
Camping	\$ 73,204	\$ 62,148
Bike week	26,269	18,316
Seasonal	93,175	87,220
Soulfest	100,643	102,473
Season pass sales	803,275	913,305
Outstanding gift certificates	380,934	339,416
Other unearned revenues	<u>38,300</u>	<u>42,675</u>
	<u>\$ 1,515,800</u>	<u>\$ 1,565,553</u>

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, 2018 and 2017, the annual income received from food service commissions was \$392,999 and \$416,478, 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, 2018 was \$218,749, and the recognized capital contributions were \$38,398. The net book value of the leasehold improvements at April 30, 2017 was \$257,147, and the recognized capital contributions were \$40,399.

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, 2018 and 2017, the annual income from the land lease was \$59,184 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, 2018 and 2017, the annual income from tower leases was \$24,623 and \$24,428, 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, 2018 and 2017, the annual income from the Soul Festival was as follows:

	<u>2018</u>	<u>2017</u>
Camping	\$ 121,584	\$ 121,573
Chair lift rides	<u>32,715</u>	<u>41,951</u>
	<u>\$ 154,299</u>	<u>\$ 163,524</u>

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, 2018 and 2017 were \$1,924,967 and \$1,619,625. The Commission's contributions to the plan during fiscal years 2018 and 2017 were \$38,499 and \$46,833, 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, 2018, 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, 2018.

10. Commitments and Contingencies

Property and Liability Insurance

The general liability provides a limit of \$1,000,000 each occurrence with no general aggregate. The self-insured retention is \$15,000 per occurrence and \$75,000 annual aggregate. Primary Excess liability extends coverage over the general liability, auto liability and employer's liability up to \$9,000,000 per occurrence and \$18,000,000 aggregate. A secondary excess liability extends coverage over the general liability, auto liability and employer's liability for an additional \$3,000,000 per occurrence & aggregate, providing a total occurrence liability limit of \$13,000,000. There is no retention on the primary or secondary excess liability layer.

Business Income and Extra Expense coverage is \$4,000,000 with a \$10,000 deductible.

The Commission has a blanket limit of coverage in the amount of \$20,507,168 for scheduled buildings and property. Limit for scheduled Lifts, permanent snow making and Night lighting equipment is \$15,522,575. The Commission's deductible is \$10,000 per occurrence, except for flood, earthquake, or equipment breakdown at \$25,000 per occurrence.

Commission's scheduled mobile equipment coverage is \$2,091,163. A \$1,000 deductible applies per occurrence.

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. Reclassifications

Certain reclassifications have been made to the April 30, 2017 financial statement presentation to correspond to the current year format. These reclassifications had no effect on the change in net position for the year ending April 30, 2017, as previously reported.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF BELKNAP, NEW HAMPSHIRE

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System

<u>Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
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%
December 31, 2018	June 30, 2018	0.28101700%	\$ 13,531,537	\$ 7,984,494	169.47%	64.73%

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, 2018

(Unaudited)

New Hampshire Retirement System					
<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%
December 31, 2018	\$ 1,204,791	\$1,204,791	\$ -	\$8,077,807	14.91%

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2018	June 30, 2018	0.23702904%	\$1,085,227	\$ 7,984,494	13.59%	7.53%

Schedules are 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

SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

County of Belknap, New Hampshire OPEB Plan

<u>Changes in Total OPEB Liability*</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 2,237,481
Changes:	
Service cost	188,075
Interest	75,798
Assumption changes	(183,899)
Benefit payments	<u>(68,076)</u>
Net change in total OPEB liability	<u>11,898</u>
Total OPEB liability - ending	<u><u>\$ 2,249,379</u></u>

* Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions*

	<u>2018</u>
Actuarially determined contribution	\$ 304,802
Contributions in relation to the actuarially determined contribution	<u>(68,076)</u>
Contribution deficiency (excess)	<u><u>\$ 236,726</u></u>

* Does not include New Hampshire Retirement System Medical Subsidy.

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

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report