



COUNTY OF BELKNAP, NEW HAMPSHIRE

Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Belknap, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, (the County) as of and for the year ended December 31, 2020, and the related notes to financial statements, which collectively comprise the County'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 which is as of and for the year ended April 30, 2020). 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Gunstock Area Commission were not audited in accordance with *Government Auditing Standards*.

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'

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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, the major fund, and the aggregate remaining fund information of the County of Belknap, New Hampshire, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2020 the County adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2021 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Merrimack, New Hampshire
July 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the 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, 2020.

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.

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, 2020. 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.

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.

Included in the County's fiduciary funds are custodial funds, which report resources that are held by the County for other parties outside of the County's reporting units. The custodial funds also include resources held by the County for the benefit of nursing home residents and inmates.

Notes to Financial Statements

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

Required Supplementary Information

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

Financial Highlights

- As of the close of the current year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(7,336,234) (i.e., net position), a change of \$(1,837,765) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$5,704,748, a change of \$676,279 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$2,407,456 a change of \$(720,337) in comparison to the prior year.

Government-Wide Financial Analysis

Net position of the County's governmental activities for the current and prior years are as follows:

	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 8,782,555	\$ 9,435,058
Capital assets	<u>13,687,606</u>	<u>15,026,607</u>
Total assets	22,470,161	24,461,665
Deferred outflows of resources	4,938,942	1,190,364
Liabilities:		
Long-term liabilities	30,171,425	25,168,175
Other liabilities	<u>3,188,972</u>	<u>4,521,127</u>
Total liabilities	33,360,397	29,689,302
Deferred inflows of resources	1,384,940	1,461,196
Net position:		
Net investment in capital assets	6,184,515	7,307,707
Restricted	127,141	75,420
Unrestricted	<u>(13,647,890)</u>	<u>(12,881,596)</u>
Total net position	\$ <u>(7,336,234)</u>	\$ <u>(5,498,469)</u>

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 \$(7,336,234), a change of \$(1,837,765) from the prior year.

The largest portion of net position, \$6,184,515, reflects our investment in capital assets (e.g., land, buildings and improvements, and machinery and equipment), 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, \$127,141, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position reflects a deficit, primarily resulting from the County's unfunded pension and OPEB liabilities.

Change in net position of the County's governmental activities for the current and prior years is as follows:

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,589,882	\$ 14,350,309
Operating grants and contributions	1,707,169	494,748
General revenues:		
County taxes	14,770,507	14,770,507
Investment income	411	29,580
Miscellaneous	<u>645,455</u>	<u>473,842</u>
Total revenues	30,713,424	30,118,986
Expenses:		
General government	4,612,909	3,073,588
Public safety	2,351,315	2,315,894
Corrections	5,185,830	4,698,817
Human services	7,433,559	7,776,780
Cooperative extension	221,700	218,536
Nursing home	12,385,083	11,544,438
Interest	<u>360,793</u>	<u>435,365</u>
Total expenses	<u>32,551,189</u>	<u>30,063,418</u>
Change in net position	(1,837,765)	55,568
Net position - beginning of year	<u>(5,498,469)</u>	<u>(5,554,037)</u>
Net position - end of year	\$ <u><u>(7,336,234)</u></u>	\$ <u><u>(5,498,469)</u></u>

Governmental activities for the year resulted in a change in net position of \$(1,873,765). Key elements of this change are as follows:

Governmental funds operating results	\$ 676,279
Purchase of capital assets, net of disposals	35,662
Depreciation expense in excess of principal debt service	(1,158,855)
Change in accrued interest liability	3,372
Change in compensated absence liability	(267)
Change in net pension liability related items	(997,743)
Change in net OPEB liability related items	<u>(396,213)</u>
Total	\$ <u><u>(1,837,765)</u></u>

Financial Analysis of the County's Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$2,407,455, while total fund balance was \$5,625,546. 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>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>
Unassigned fund balance	\$ 2,407,456	\$ 3,127,793	\$ (720,337)
Total fund balance	\$ 5,625,547	\$ 4,996,944	\$ 628,603

As a percentage of total General
Fund expenditures:

Unassigned fund balance	8.2%	10.7%	-2.5%
Total fund balance	19.2%	17.1%	2.1%

Nonmajor Governmental Funds

The nonmajor governmental funds fund balance changed by \$47,676 primarily from timing differences between the receipt and disbursement of grants.

General Fund Budgetary Highlights

There were no changes to the original budget during 2020.

Total fund balance of the General Fund changed by \$628,603 during the current year. Key factors in this change are as follows:

Revenues short of budget	\$ (80,292)
Expenditures less than appropriations	1,690,153
Use of fund balance - reduce taxes	(891,080)
Other GAAP adjustments	<u>(90,178)</u>
Total	<u>\$ 628,603</u>

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental activities at year end amounted to \$13,687,606 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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 \$7,478,252, all of which was backed by the full faith and credit of the County.

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

Requests for Information

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

Board of Commissioners
County of Belknap, New Hampshire
34 County Drive
Laconia, New Hampshire 03246

COUNTY OF BELKNAP, NEW HAMPSHIRE

Statement of Net Position
December 31, 2020

	<u>Primary Government</u> Governmental Activities	Gunstock Area Commission (Component Unit - April 30, 2020)
Assets		
Current:		
Cash and short-term investments	\$ 7,570,481	\$ 1,416,934
Restricted cash	54,180	-
Investments	-	243,013
Accounts receivable, net	1,127,978	51,661
Due from external parties	12,365	-
Inventory, net	17,551	753,416
Prepaid expenses	<u>-</u>	<u>110,110</u>
Total Current Assets	8,782,555	2,575,134
Noncurrent:		
Capital assets:		
Land	144,829	2,221,366
Capital assets, net of accumulated depreciation	<u>13,542,777</u>	<u>10,752,003</u>
Total Noncurrent Assets	<u>13,687,606</u>	<u>12,973,369</u>
Total Assets	22,470,161	15,548,503
Deferred Outflows of Resources:		
Related to pension	3,838,134	-
Related to OPEB	<u>1,100,808</u>	<u>-</u>
Total Deferred Outflows of Resources	4,938,942	-
Liabilities		
Current:		
Accounts payable	1,527,197	307,391
Due to external parties	1,504,522	-
Accrued expenses	145,376	304,440
Advance from grantors	-	59,778
Other liabilities	8,300	-
Restricted cash liability	3,577	-
Unearned revenue	-	1,051,824
Current portion of noncurrent liabilities:		
Bonds payable	199,924	1,022,142
Capital lease payable	27,503	209,362
Compensated absences	<u>437,586</u>	<u>-</u>
Total Current Liabilities	3,853,985	2,954,937
Noncurrent:		
Bonds payable, net of current portion	7,278,328	2,413,573
Capital lease payable, net of current portion	-	338,544
Compensated absences, net of current portion	97,467	-
Net pension liability	17,077,231	-
Net OPEB liability	<u>5,053,386</u>	<u>-</u>
Total Noncurrent Liabilities	<u>29,506,412</u>	<u>2,752,117</u>
Total Liabilities	33,360,397	5,707,054
Deferred Inflows of Resources:		
Related to pension	916,079	-
Related to OPEB	<u>468,861</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,384,940</u>	<u>-</u>
Net Position		
Net investment in capital assets	6,184,515	8,989,748
Restricted	127,141	-
Unrestricted	<u>(13,647,890)</u>	<u>851,701</u>
Total Net Position	\$ <u>(7,336,234)</u>	\$ <u>9,841,449</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, 2020

		Program Revenues		Net (Expenses)	Gunstock Area
				Revenues and	Commission
	Expenses	Charges for	Operating	Change in	(Component Unit-
		Services	Grants and	Net Position	for the year ended
			Contributions		April 30, 2020)
Governmental Activities:					
General government	\$ 4,612,909	\$ 1,259,751	\$ 81,154	\$ (3,272,004)	
Public safety	2,351,315	261,592	150,559	(1,939,164)	
Corrections	5,185,830	37,180	469,214	(4,679,436)	
Human services	7,433,559	-	345,792	(7,087,767)	
Cooperative extension	221,700	-	-	(221,700)	
Nursing home	12,385,083	12,031,359	660,450	306,726	
Interest	360,793	-	-	(360,793)	
Total Governmental Activities	\$ <u>32,551,189</u>	\$ <u>13,589,882</u>	\$ <u>1,707,169</u>	(17,254,138)	
Component Unit:					
Gunstock Area Commission	\$ <u>12,817,411</u>	\$ <u>12,997,680</u>	\$ -		\$ <u>180,269</u>
Total Component Unit	\$ <u>12,817,411</u>	\$ <u>12,997,680</u>	\$ -		180,269
General Revenues:					
				14,770,507	-
County taxes				411	19,224
Investment income				645,455	194,665
Miscellaneous				<u>15,416,373</u>	<u>213,889</u>
Total General Revenues				(1,837,765)	394,158
Change in Net Position					
Net Position:					
				(5,498,469)	9,447,291
Beginning of year				<u>\$ (7,336,234)</u>	<u>\$ 9,841,449</u>
End of year					

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

COUNTY OF BELKNAP, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 7,554,633	\$ 15,848	\$ 7,570,481
Restricted cash	54,180	-	54,180
Accounts receivable, net	1,011,578	116,400	1,127,978
Due from other funds	29,849	8,655	38,504
Due from custodial funds	12,365	-	12,365
Inventory	<u>17,551</u>	<u>-</u>	<u>17,551</u>
Total Assets	\$ <u>8,680,156</u>	\$ <u>140,903</u>	\$ <u>8,821,059</u>
Liabilities			
Accounts payable	\$ 1,495,344	\$ 31,853	\$ 1,527,197
Accrued expenses	34,212	-	34,212
Other liabilities	8,300	-	8,300
Restricted cash liability	3,576	-	3,576
Due to other funds	8,655	29,849	38,504
Due to custodial funds	<u>1,504,522</u>	<u>-</u>	<u>1,504,522</u>
Total Liabilities	3,054,609	61,702	3,116,311
Fund Balances			
Nonspendable:			
Inventory	<u>17,551</u>	<u>-</u>	<u>17,551</u>
Total Nonspendable	17,551	-	17,551
Restricted:			
Deeds surcharge account	50,604	-	50,604
Capital projects fund	-	2,664	2,664
Unexpended grant funds	<u>-</u>	<u>76,537</u>	<u>76,537</u>
Total Restricted	50,604	79,201	129,805
Assigned:			
Subsequent year budget	3,000,000	-	3,000,000
Encumbrances	<u>149,936</u>	<u>-</u>	<u>149,936</u>
Total Assigned	3,149,936	-	3,149,936
Unassigned	<u>2,407,456</u>	<u>-</u>	<u>2,407,456</u>
Total Fund Balances	<u>5,625,547</u>	<u>79,201</u>	<u>5,704,748</u>
Total Liabilities and Fund Balances	\$ <u>8,680,156</u>	\$ <u>140,903</u>	\$ <u>8,821,059</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, 2020

Total governmental fund balances	\$ 5,704,748
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	13,687,606
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(111,165)
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	(7,478,252)
Capital lease payable	(27,503)
Compensated absences	(535,053)
Net pension liability and related deferred outflows/inflows of resources	(14,155,176)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(4,421,439)</u>
Net position of governmental activities	\$ <u><u>(7,336,234)</u></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, 2020

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
County taxes	\$ 14,770,507	\$ -	\$ 14,770,507
Nursing home	12,031,359	-	12,031,359
Charges for services	1,558,523	-	1,558,523
Intergovernmental	878,249	828,921	1,707,170
Investment income	411	-	411
Miscellaneous	<u>619,416</u>	<u>12,419</u>	<u>631,835</u>
Total Revenues	29,858,465	841,340	30,699,805
Expenditures			
Current:			
General government	2,902,099	-	2,902,099
Public safety	2,165,731	68,800	2,234,531
Corrections	4,628,032	104,164	4,732,196
Human services	7,433,559	-	7,433,559
Cooperative extension	221,700	-	221,700
Nursing home	11,188,330	620,700	11,809,030
Capital outlay	151,247	-	151,247
Debt service:			
Principal	175,000	-	175,000
Interest	<u>364,164</u>	<u>-</u>	<u>364,164</u>
Total Expenditures	<u>29,229,862</u>	<u>793,664</u>	<u>30,023,526</u>
Change in Fund Balance	628,603	47,676	676,279
Fund Balance, at Beginning of Year	<u>4,996,944</u>	<u>31,525</u>	<u>5,028,469</u>
Fund Balance, at End of Year	\$ <u><u>5,625,547</u></u>	\$ <u><u>79,201</u></u>	\$ <u><u>5,704,748</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, 2020

Net change in fund balances - total governmental funds	\$ 676,279
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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 outlay	36,968
Depreciation	(1,374,664)
Loss on disposal of assets	(1,306)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of bonds	175,000
Amortization of bond premium	14,924
Repayments of capital lease	25,885

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	3,372
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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	(267)
Change in pension expense from GASB 68	(997,743)
Change in OPEB expense from GASB 75	<u>(396,213)</u>
Change in net position - governmental activities	\$ <u>(1,837,765)</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, 2020

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 10,515	\$ 184,276
Due from Primary Government	<u>-</u>	<u>1,504,522</u>
Total Assets	10,515	1,688,798
Liabilities		
Accounts payable	-	4,698
Due to Primary Government	-	12,365
Due to State of New Hampshire	<u>-</u>	<u>1,504,522</u>
Total Liabilities	<u>-</u>	<u>1,521,585</u>
Net Position		
Held in trust	10,515	-
Restricted for others	<u>-</u>	<u>167,213</u>
Total Net Position	\$ <u>10,515</u>	\$ <u>167,213</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, 2020

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Additions		
Contributions	\$ 3,373	\$ 925,676
Fees collected for State of New Hampshire	<u>-</u>	<u>13,676,211</u>
Total additions	3,373	14,601,887
Deductions		
Payments of fees to State of New Hampshire	-	13,676,211
Other	<u>1,952</u>	<u>844,468</u>
Total deductions	<u>1,952</u>	<u>14,520,679</u>
Net increase	1,421	81,208
Net position		
Beginning of year	<u>9,094</u>	<u>86,005</u>
End of year	\$ <u><u>10,515</u></u>	\$ <u><u>167,213</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 the County of Belknap, New Hampshire (the County) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of 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 year, April 30, 2020, which differs from the County's calendar year of December 31, 2020. Separately issued financial statements of Gunstock Area Commission may be obtained by writing to their Finance Department at 719 Cherry Valley Road Gilford, New Hampshire 03249.

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 fund:

- 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 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.
- *Custodial Funds* account for fiduciary assets held by the County in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the

financial statements. Custodial funds include taxes and fees collected on behalf of other governments as well as inmate funds and nursing home resident funds.

Cash and Investments

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

The County invests with New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the New Hampshire Banking Commission. Participation units of the NHPDIP are considered short-term for financial statement presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

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”.

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, and machinery and equipment, 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 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.

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 Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

The County's fund balance classifications are as follows:

- *Nonspendable* - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes General Fund reserves for inventory.
- *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. This fund balance classification includes General Fund encumbrances that have been established by County departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and surplus set aside to be used in the subsequent year's budget.
- *Unassigned* - Represents amounts that are available to be spent in future periods and deficit funds. General Fund is the only fund that reports a positive unassigned fund balance.

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 11% to 15% based on the recommended 2021 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 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.

3. Deposits and Investments

State statutes (RSA 29:1, 11) place certain limitations on the nature of deposits and investments available to the County. Deposits may be made in NH banks or banks outside of the state if such banks pledge and deliver to a third-party custodial bank with various collateralized security.

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, 2020, the County's bank balance was fully FDIC insured or collateralized, including approximately \$8.4 million collateralized by securities held by the fledging financial institutions trust department or agent but not in the County's name.

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 \$54,180 is comprised

of amounts from the Registry of Deeds equipment surcharge fund and the 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 \$67,000 at December 31, 2020, based on a detailed review of past due accounts. Nursing Home receivables are also reported net of contractual allowances.

6. Interfund 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, 2020 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 29,849	\$ 8,655
Nonmajor Governmental Funds:		
Sheriffs Special Purpose	5,991	-
Sheriffs Forfeiture - State	-	1,000
Grants	-	28,849
Capital Projects Funds	<u>2,664</u>	<u>-</u>
Total	<u>\$ 38,504</u>	<u>\$ 38,504</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 29,102	\$ -	\$ -	\$ 29,102
Machinery and equipment	<u>4,012</u>	<u>37</u>	<u>(64)</u>	<u>3,985</u>
Total capital assets, being depreciated	33,114	37	(64)	33,087
Less accumulated depreciation for:				
Buildings and improvements	(15,340)	(1,131)	-	(16,471)
Machinery and equipment	<u>(2,892)</u>	<u>(244)</u>	<u>63</u>	<u>(3,073)</u>
Total accumulated depreciation	<u>(18,232)</u>	<u>(1,375)</u>	<u>63</u>	<u>(19,544)</u>
Total capital assets, being depreciated, net	14,882	(1,338)	(1)	13,543
Capital assets, not being depreciated:				
Land	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
Total capital assets, not being depreciated	<u>145</u>	<u>-</u>	<u>-</u>	<u>145</u>
Governmental activities capital assets, net	<u>\$ 15,027</u>	<u>\$ (1,338)</u>	<u>\$ (1)</u>	<u>\$ 13,688</u>

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

General government	\$ 211
Public safety	83
Corrections	604
Nursing home	<u>477</u>
Total depreciation expense	<u>\$ 1,375</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 68 and 75, respectively, are more fully discussed in the corresponding pension and OPEB notes.

9. Tax Anticipation Notes Payable

At December 31, 2020, the County had no anticipation lines of credit available. The following summarizes tax anticipation notes payable activity during 2020:

<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>
\$ 9,500,000	05/25/20	12/30/20	1.09%	\$ -	\$ 9,500,000	\$ (9,500,000)	\$ -

On April 9, 2021, the County issued a \$7,100,000 tax anticipation note with a maturity date of December 30, 2021 and an interest rate of 0.59%.

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 capital leases consisted of the following as of December 31, 2020:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,503	\$ 1,719	\$ 29,222

Equipment financed by capital leases payable totaling \$107,833 is reported in capital assets net of \$53,142 accumulated depreciation.

11. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/20</u>
General Obligation Bonds - direct placements:			
Corrections Building	08/15/43	3.1 - 5.1%	\$ 7,135,000
Total			\$ 7,135,000

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of December 31, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 185,000	\$ 294,260	\$ 479,260
2022	195,000	284,825	479,825
2023	205,000	274,880	479,880
2024	215,000	264,425	479,425
2025	225,000	253,460	478,460
2026-2030	1,310,000	1,083,190	2,393,190
2031-2035	1,585,000	806,505	2,391,505
Thereafter	<u>3,215,000</u>	<u>611,856</u>	<u>3,826,856</u>
Total	\$ <u>7,135,000</u>	\$ <u>3,873,401</u>	\$ <u>11,008,401</u>

The General Fund has been designated as the source to repay the general obligation bonds outstanding as of December 31, 2020.

Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in governmental activities long-term liabilities (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Bonds payable	\$ 7,310	\$ -	\$ (175)	\$ 7,135	\$ (185)	\$ 6,950
Bond premium	<u>358</u>	<u>-</u>	<u>(15)</u>	<u>343</u>	<u>(15)</u>	<u>328</u>
Subtotal	7,668	-	(190)	7,478	(200)	7,278
Other:						
Capital lease payable	54	-	(26)	28	(28)	-
Compensated absences	535	-	-	535	(437)	98
Net pension liability	13,431	3,646	-	17,077	-	17,077
Net OPEB liability	<u>3,481</u>	<u>1,572</u>	<u>-</u>	<u>5,053</u>	<u>-</u>	<u>5,053</u>
Totals	\$ <u>25,169</u>	\$ <u>5,218</u>	\$ <u>(216)</u>	\$ <u>30,171</u>	\$ <u>(665)</u>	\$ <u>29,506</u>

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. New Hampshire Retirement System - Pension (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, 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, or from their website at <https://www.nhrs.org>.

Benefits Provided

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by

January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

<u>Years of creditable service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Contributions

Plan members are required to contribute a percentage of their 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 10.88% to 24.77% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2020 were \$1,236,142, which were equal to the its contractually 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, Deferred Outflows of Resources, and Deferred (Inflows) of Resources Related to Pensions

At December 31, 2020, the County reported a liability of \$17,077,231 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the County's proportion was 0.26699230%, which was a decrease of 0.01213369% from its previous year proportion.

For the year ended December 31, 2020, the County recognized pension expense of \$2,233,863. 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	\$ 461,168	\$ (183,361)
Net difference between projected and actual investment earnings	1,056,245	-
Changes of assumptions	1,689,277	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(732,718)
Contributions subsequent to the measurement date	631,444	-
Total	\$ <u>3,838,134</u>	\$ <u>(916,079)</u>

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 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in expense as follows:

Year ended December 31:

2021	\$ 340,844
2022	544,219
2023	723,542
2024	<u>682,006</u>
Total	\$ <u>2,290,611</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.0% per year
Wage inflation	2.75% per year
Salary increases	5.6% average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions also reflect benefit changes resulting from CH 340 laws of 2019 (HB 616), which grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

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

Target Allocation

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

Asset Class	Target Allocation Percentage	Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.71%
Small/Mid Cap Equities	7.50	4.15%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	3.96%
Emerging Int'l Equities	7.00	6.20%
Total international equities	20.00	
Core Bonds	9.00	0.42%
Global Multi-Sector Fixed Income	10.00	1.66%
Absolute Return Fixed Income	6.00	0.92%
Total fixed income	25.00	
Private Equity	10.00	7.71%
Private Debt	5.00	4.81%
Total alternative investments	15.00	
Real Estate	10.00	2.95%
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.75%, 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 or one percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 22,108,064	\$ 17,077,231	\$ 12,966,374

Pension Plan Fiduciary Net Position

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

14. 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.

County OPEB Plan

The following disclosures for the County's OPEB plan are based on a measurement date of December 31, 2020 based on an actuarial valuation dated January 1, 2020.

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. The OPEB plan does not issue a publicly available financial report.

Benefits Provided

The County provides 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>134</u>
Total	<u><u>141</u></u>

Funding Policy

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions:

Salary increases	2.00%
Discount rate	2.12%
Healthcare cost trend rates	4.0% for 2020, then 9.50% for 2021, fluctuating 0.50% to an ultimate rate of 5.0% as of 2030 and later years
Retirees' share of benefit-related costs	100%
Participation rate	100%

The discount rate was based on the index provided by the Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).

The actuarial assumptions used in the valuation were based on the most recent actuarial experience study.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.12%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The County's total OPEB liability of \$4,112,887 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020 rolled forward to the measurement date.

Changes in the Total OPEB Liability

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

Beginning of year balance	\$ 2,442,301
Changes for the year:	
Service cost	439,568
Interest	77,251
Differences between expected and actual experience	102,994
Changes in assumptions or other inputs	1,146,481
Benefit payments	<u>(95,708)</u>
Net Change	<u>1,670,586</u>
End of year balance	\$ <u><u>4,112,887</u></u>

Changes in assumptions or other inputs reflect a decrease in the discount rate from 4.10% in 2019 to 2.12% in 2020, changes in trend rates, and mortality tables.

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>
\$ 4,944,227	\$ 4,112,887	\$ 3,806,775

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>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$3,394,455	\$4,112,887	\$4,988,661

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$592,384. At December 31, 2020, the County reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 85,328	\$ (454,070)
Changes of assumptions or other inputs	<u>952,951</u>	<u>-</u>
Total	<u>\$ 1,038,279</u>	<u>\$ (454,070)</u>

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

<u>Year ended December 31:</u>		
2021	\$	75,565
2022		75,565
2023		75,565
2024		179,629
2025		<u>177,885</u>
Total	\$	<u>584,209</u>

New Hampshire Retirement System Medical Subsidy Plan

All of the following OPEB disclosures for the New Hampshire Retirement System Medical Subsidy Plan are based upon an actuarial valuation performed as of June 30, 2019, using a measurement date of June 30, 2020.

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. The NHRS administers 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. Collectively they are referred to as the OPEB Plan.

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

Benefits Provided

The OPEB plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

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

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The County contributed 0.29% of gross payroll for Group I employees, and 3.66% of gross payroll for Group II employees. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions for the collective total OPEB liability are the same as the Retirement System, which is disclosed in Note 13.

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

The County's proportionate share of the net OPEB liability for the NHRS Medical Subsidy as of the measurement date of June 30, 2020 was \$940,499, representing 0.21486860%.

For the year ended December 31, 2020, the County recognized expense related to the NHRS Medical Subsidy of \$3,515. At December 31, 2020, the County reported related deferred outflows and (inflows) of resources as follows:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 52,963	\$ -
Difference between expected and actual experience	-	(2,725)
Changes in proportion	-	(12,066)
Change in assumptions	6,047	-
Net difference between projected and actual OPEB investment earnings	<u>3,519</u>	<u>-</u>
Total	\$ <u>62,529</u>	\$ <u>(14,791)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2021.

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

<u>Year Ended December 31:</u>	
2021	\$ (8,477)
2022	1,042
2023	1,242
2024	<u>968</u>
Total	\$ <u>(5,225)</u>

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

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

<u>1%</u>	<u>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	<u>Rate</u>	
\$ 1,021,284	\$ 940,499	\$ 870,362

Healthcare Cost Trend Rate

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

Consolidation of OPEB Liabilities and Related Deferred Outflows and (Inflows) of Resources

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, 2020:

	<u>Net</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>OPEB</u>	<u>Deferred</u>	<u>Deferred</u>	<u>OPEB</u>
	<u>Liability</u>	<u>Outflows</u>	<u>(Inflows)</u>	<u>Expense</u>
		<u>of Resources</u>	<u>of Resources</u>	
County OPEB Plan	\$ 4,112,887	\$ 1,038,279	\$ (454,070)	\$ 592,384
NHRS Medical Subsidy Plan	<u>940,499</u>	<u>62,529</u>	<u>(14,791)</u>	<u>3,515</u>
Total	\$ <u>5,053,386</u>	\$ <u>1,100,808</u>	\$ <u>(468,861)</u>	\$ <u>595,899</u>

15. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable

uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the County, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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.

Encumbrances

At year end, the County's General Fund has \$149,936 in encumbrances that will be honored in the next year.

16. Change in Accounting Principle

During 2020 the County adopted Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*. This required moving certain items previously recorded through a general fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund.

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, 2020, the Commission did not meet the requirements for returning excess funds to the County.

18. New Pronouncements

Management is currently evaluating the impact of implementing the following GASB pronouncement.

The Governmental Accounting Standards Board (GASB) has issued Statement 87, *Leases*, effective for the County beginning with its fiscal year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**GUNSTOCK AREA COMMISSION
NOTES TO FINANCIAL STATEMENTS**

(INCLUDES COMPARATIVE INFORMATION FOR REFERENCE ONLY)

GUNSTOCK AREA COMMISSION

Notes to Financial Statements April 30, 2020 and 2019

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, 2020 and 2019, inventory is reported at net of reserve of obsolescence of \$55,837 and \$21,761, respectively.

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 acquisition value 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.

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.

Advances from Grantors

Grants received before the eligibility requirements are met are recorded as advances from grantors.

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. All revenues are expected to be recognized within one year of receipt.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

2. Deposits and Investments

Deposits and investments as of April 30, 2020 and 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,416,934	\$ 2,102,112
Investments	<u>243,013</u>	<u>266,778</u>
	<u>\$ 1,659,947</u>	<u>\$ 2,368,890</u>

Deposits and investments as of April 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 5,808	\$ 12,210
Deposits with financial institutions	<u>1,654,139</u>	<u>2,356,680</u>
	<u>\$ 1,659,947</u>	<u>\$ 2,368,890</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.

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, 2020 and 2019:

	Balance 5/1/19	Additions	Reductions	Balance 4/30/20
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	<u>54,257</u>	<u>23,771</u>	<u>(54,257)</u>	<u>23,771</u>
Total capital assets, not being depreciated	2,251,852	23,771	(54,257)	2,221,366
Other capital assets:				
Land improvements	2,667,935	-	-	2,667,935
Buildings and improvements	4,948,199	179,028	(15,420)	5,111,807
Equipment	28,024,220	1,384,273	(134,051)	29,274,442
Leasehold improvements	<u>675,652</u>	<u>62,157</u>	<u>-</u>	<u>737,809</u>
Total other capital assets at historical cost	36,316,006	1,625,458	(149,471)	37,791,993
Less accumulated depreciation for:				
Land improvements	(1,467,474)	(65,739)	-	(1,533,213)
Buildings and improvements	(4,014,109)	(165,252)	14,920	(4,164,441)
Equipment	(19,421,760)	(1,475,918)	92,024	(20,805,654)
Leasehold improvements	<u>(495,179)</u>	<u>(41,503)</u>	<u>-</u>	<u>(536,682)</u>
Total accumulated depreciation	<u>(25,398,522)</u>	<u>(1,748,412)</u>	<u>106,944</u>	<u>(27,039,990)</u>
Total other capital assets, net	<u>10,917,484</u>	<u>(122,954)</u>	<u>(42,527)</u>	<u>10,752,003</u>
Total capital assets, net	<u>\$ 13,169,336</u>	<u>\$ (99,183)</u>	<u>\$ (96,784)</u>	<u>\$ 12,973,369</u>

	Balance 5/1/18	Additions	Reductions	Balance 4/30/19
Capital assets, not being depreciated:				
Land	\$ 2,197,595	\$ -	\$ -	\$ 2,197,595
Construction in progress	-	54,257	-	54,257
Total capital assets, not being depreciated	2,197,595	54,257	-	2,251,852
Other capital assets:				
Land improvements	2,667,935	-	-	2,667,935
Buildings and improvements	4,948,199	-	-	4,948,199
Equipment	27,585,679	446,341	(7,800)	28,024,220
Leasehold improvements	675,652	-	-	675,652
Total other capital assets at historical cost	35,877,465	446,341	(7,800)	36,316,006
Less accumulated depreciation for:				
Land improvements	(1,362,668)	(104,806)	-	(1,467,474)
Buildings and improvements	(3,851,078)	(163,031)	-	(4,014,109)
Equipment	(17,965,198)	(1,463,062)	6,500	(19,421,760)
Leasehold improvements	(456,903)	(38,276)	-	(495,179)
Total accumulated depreciation	(23,635,847)	(1,769,175)	6,500	(25,398,522)
Total other capital assets, net	12,241,618	(1,322,834)	(1,300)	10,917,484
Total capital assets, net	\$ 14,439,213	\$ (1,268,577)	\$ (1,300)	\$ 13,169,336

The balance of the assets acquired through capital leases as of April 30, 2020 and 2019 is as follows:

	2020	2019
Equipment	\$ 1,157,790	\$ 618,462
Less: Accumulated depreciation	(174,936)	(90,465)
	\$ 982,854	\$ 527,997

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, 2020 and 2019 are as follows:

	2020	2019
Balance - May 1	\$ -	\$ -
Additions	800,000	500,000
Reductions	(800,000)	(500,000)
Balance - April 30	\$ -	\$ -

5. Long-Term Obligations

Changes in Long-Term Obligations

The changes in long-term debt obligations for the years ended April 30, 2020 and 2019 are as follows:

Type	Balance 5/1/19	Additions	Reductions	Balance 4/30/20	Amounts Due Within One Year
Bonds payable	\$ 4,157,857	\$ -	\$ (722,142)	\$ 3,435,715	\$ 1,022,142
Capital leases	<u>273,997</u>	<u>571,837</u>	<u>(297,928)</u>	<u>547,906</u>	<u>209,362</u>
	<u>\$ 4,431,854</u>	<u>\$ 571,837</u>	<u>\$ (1,020,070)</u>	<u>\$ 3,983,621</u>	<u>\$ 1,231,504</u>

Type	Balance 5/1/18	Additions	Reductions	Balance 4/30/19	Amounts Due Within One Year
Bonds payable	\$ 5,100,000	\$ -	\$ (942,143)	\$ 4,157,857	\$ 872,142
Capital leases	<u>542,433</u>	<u>-</u>	<u>(268,436)</u>	<u>273,997</u>	<u>168,642</u>
	<u>\$ 5,642,433</u>	<u>\$ -</u>	<u>\$ (1,210,579)</u>	<u>\$ 4,431,854</u>	<u>\$ 1,040,784</u>

General Obligation Bonds

Bonds payable at April 30, 2020 and 2019 are comprised of the following individual issues:

	2020	2019
\$1,600,000 bonds due in annual installments of \$182,857 through March 2025; interest at 2.145%	\$ 914,286	\$ 1,097,143
\$1,000,000 bonds due in annual installments of \$114,285 through March 2025; interest at 2.78%	571,429	685,714
\$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%	250,000	500,000
\$1,500,000 bonds due in annual installments of \$150,000 through April 29, 2021; interest at 2.59%	300,000	300,000
\$3,250,000 bonds due in an annual installment of \$175,000 until January 2028; interest at 3.500% - 4.375%	<u>1,400,000</u>	<u>1,575,000</u>
	<u>\$ 3,435,715</u>	<u>\$ 4,157,857</u>

Debt service requirements to retire general obligation bonds outstanding at April 30, 2020 are as follows:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 1,022,142	\$ 101,234	\$ 1,123,376
2022	472,142	78,855	550,997
2023	472,142	64,719	536,861
2024	472,142	50,584	522,726
2025	472,147	36,444	508,591
2026 - 2028	<u>525,000</u>	<u>45,063</u>	<u>570,063</u>
	<u>\$ 3,435,715</u>	<u>\$ 376,899</u>	<u>\$ 3,812,614</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 30, 2020 and 2019 are comprised of the following individual issues:

	<u>2020</u>	<u>2019</u>
\$138,919 equipment lease due in monthly installments of \$4,107, including interest at 3.987% through June 2020	\$ 4,093	\$ 52,168
\$127,755 equipment lease due in yearly installments of \$26,582, including interest at 2.0% through June 2022	50,051	76,633
\$350,961 equipment lease due in semi-annual installments of \$50,974, including interest at 5.19% through September 2020	50,849	145,196
\$99,400 equipment lease due in annual installments of \$21,684, including interest at 3.85% through February 2024	80,671	-
\$40,400 equipment lease due in annual installments of \$8,851, including interest at 3.728% through February 2024	32,337	-
\$374,528 equipment lease due in five installments of \$20,375, including interest at 6.21% through April 2023	276,546	-
\$69,509 equipment lease due in monthly installments of \$1,114, including interest at 5.99% through December 2024	<u>53,359</u>	<u>-</u>
	<u>\$ 547,906</u>	<u>\$ 273,997</u>

Debt service requirements to retire capital lease obligations outstanding at April 30, 2020 are as follows:

Year Ending				
<u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	
2021	\$ 209,362	\$ 19,268	\$ 228,630	
2022	155,044	15,773	170,817	
2023	132,270	13,513	145,783	
2024	43,586	2,002	45,588	
2025	7,644	156	7,800	
	<u>\$ 547,906</u>	<u>\$ 50,712</u>	<u>\$ 598,618</u>	

6. 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. 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, 2020 and 2019, the annual income received from food service commissions was \$83,044 and \$462,750, respectively. Effective November 1, 2019, the contract was terminated, and the food service operation was brought in-house.

The independent company has provided a capital expenditure in the amount of \$500,000. The capital expenditure will be amortized from the date of service until October 31, 2023. Upon termination or expiration of the agreement, the property and equipment reverse back to Gunstock Area Commission. The agreement expired October 31, 2019, see Note 9 on commitments and contingencies (Settlement). The net book value of the property and equipment at April 30, 2020 was \$244,963, and the recognized capital contributions were \$30,620. The net book value of the property and equipment at April 30, 2019 was \$275,583, and the recognized capital contributions were \$93,372.

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, 2020 and 2019, the annual income from the land lease was \$62,300 and \$62,517, 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, 2020 and 2019, the annual income from tower leases was \$26,588 and \$25,736, 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. 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, 2020 and 2019, the annual income from the Soul Festival was as follows:

	<u>2020</u>	<u>2019</u>
Camping	\$ 108,472	\$ 112,294
Chair lift rides	<u>18,204</u>	<u>15,459</u>
	<u>\$ 126,676</u>	<u>\$ 127,753</u>

7. 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.

The Commission's contributions to the plan for fiscal year 2020 were deferred to a future period. Covered wages paid under this plan during the fiscal year ended April 30, 2019 were \$1,726,858. The Commission's contributions to the plan during fiscal year 2019 were \$35,428.

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. A matching contribution of 3% 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. The Commission's contributions to the plan during fiscal years 2020 and 2019 were \$40,242 and \$42,607, respectively.

8. 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, 2020, 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, 2020.

9. 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 \$22,760,162 for scheduled buildings and property. Limit for scheduled Lifts, permanent snow making and Night lighting equipment is \$15,788,900. 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 \$2,309,288. A \$1,000 deductible applies per occurrence.

Settlement

In August 2020, the Commission reached a settlement agreement with a company previously contracted to provide food services. Terms of the settlement agreement state an amount of \$247,147 will be paid by the Commission to the other party with an upfront payment of \$130,000, a monthly payment of \$10,000 for 11 months and a final payment of \$7,147 within 12 months following the execution of the agreement. This amount is included in these financial statements within 'Accounts payable'.

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.

10. Subsequent Events

Revenue Anticipation Note

The Commission secured a line of credit up to \$1,000,000 during July 2020. Any borrowings are guaranteed to be repaid from operation revenues of the Commission. The interest rate on this line of credit is 1.17%. The borrowed amount, and accrued interest, is due on April 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF BELKNAP, NEW HAMPSHIRE

Required Supplemental Information
General Fund

Schedule of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Budget</u>	(Budgetary	Positive
			<u>Basis</u>)	(Negative)
Revenues:				
County taxes	\$ 14,770,507	\$ 14,770,507	\$ 14,770,507	\$ -
Nursing home	12,703,000	12,703,000	12,031,359	(671,641)
Charges for services	1,524,180	1,524,180	1,558,523	34,343
Intergovernmental	480,870	480,870	878,249	397,379
Investment income	35,000	35,000	411	(34,589)
Miscellaneous	<u>425,200</u>	<u>425,200</u>	<u>619,416</u>	<u>194,216</u>
Total Revenues	29,938,757	29,938,757	29,858,465	(80,292)
Expenditures:				
Current:				
General government	3,140,787	3,140,787	2,904,305	236,482
Public safety	2,385,161	2,385,161	2,188,731	196,430
Corrections	4,810,463	4,810,463	4,635,630	174,833
Human services	7,886,000	7,886,000	7,433,559	452,441
Cooperative extension	221,700	221,700	221,700	-
Nursing home	11,782,540	11,782,540	11,216,595	565,945
Debt service:				
Principal	175,000	175,000	175,000	-
Interest	<u>428,186</u>	<u>428,186</u>	<u>364,164</u>	<u>64,022</u>
Total Expenditures	<u>30,829,837</u>	<u>30,829,837</u>	<u>29,139,684</u>	<u>1,690,153</u>
Excess (deficiency) of revenues over expenditures before budgetary use of fund balance	(891,080)	(891,080)	718,781	1,609,861
Budgetary Use of Fund Balance:				
Use of fund balance - reduce taxes	<u>891,080</u>	<u>891,080</u>	<u>891,080</u>	<u>-</u>
Overall budgetary excess (deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,609,861</u>	\$ <u>1,609,861</u>

See Independent Auditors' Report.

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

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>	<u>Other Financing Source</u>
Revenues/Expenditures (GAAP Basis)	\$ 29,858,465	\$ 29,229,862	\$ -
Reverse beginning of year appropriation carryforwards from expenditures	-	(240,152)	-
Add end of year appropriation carryforwards to expenditures	-	149,974	-
Add use of fund balance as a funding source	<u>-</u>	<u>-</u>	<u>891,080</u>
Budgetary Basis	<u>\$ 29,858,465</u>	<u>\$ 29,139,684</u>	<u>\$ 891,080</u>

See Independent Auditors' Report.

COUNTY OF BELKNAP, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(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 as of the Measurement Date</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%
December 31, 2019	June 30, 2019	0.27912599%	\$ 13,430,579	\$ 8,134,121	165.11%	65.59%
December 31, 2020	June 30, 2020	0.26699230%	\$ 17,077,231	\$ 8,002,632	213.40%	58.72%

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

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

New Hampshire Retirement System						
<u>Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll as of the Fiscal Year</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	June 30,2015	\$ 1,006,248	\$ 1,006,248	\$ -	\$ 7,530,108	13.36%
December 31, 2016	June 30,2016	\$ 1,058,301	\$ 1,058,301	\$ -	\$ 7,681,817	13.78%
December 31, 2017	June 30,2017	\$ 1,114,408	\$ 1,114,408	\$ -	\$ 7,770,171	14.34%
December 31, 2018	June 30,2018	\$ 1,204,791	\$ 1,204,791	\$ -	\$ 8,077,807	14.91%
December 31, 2019	June 30,2019	\$ 1,187,252	\$ 1,187,252	\$ -	\$ 7,976,627	14.88%
December 31, 2020	June 30,2020	\$ 1,236,142	\$ 1,236,142	\$ -	\$ 8,338,675	14.82%

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

Required Supplementary Information
Schedules of Proportionate Share and Contributions of the Net OPEB Liability
(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

<u>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 as of the Measurement Date</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%
December 31, 2019	June 30, 2019	0.23697984%	\$ 1,038,946	\$ 8,134,121	12.77%	7.75%
December 31, 2020	June 30, 2020	0.21486860%	\$ 940,499	\$ 8,002,632	11.75%	7.74%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll as of the Fiscal Year</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	June 30, 2018	\$ 54,102	\$ 54,102	\$ -	\$ 8,077,807	0.67%
December 31, 2019	June 30, 2019	\$ 48,721	\$ 48,721	\$ -	\$ 7,976,627	0.61%
December 31, 2020	June 30, 2020	\$ 52,963	\$ 52,963	\$ -	\$ 8,338,675	0.64%

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

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

County of Belknap, New Hampshire OPEB Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ 2,442,301	\$ 2,249,379	\$ 2,237,481
Changes:			
Service cost	439,568	173,017	188,075
Interest	77,251	90,772	75,798
Difference between actual and expected experience	102,994	-	-
Assumption changes	1,146,481	-	(183,899)
Benefit payments	<u>(95,708)</u>	<u>(70,867)</u>	<u>(68,076)</u>
Net change in total OPEB liability	<u>1,670,586</u>	<u>192,922</u>	<u>11,898</u>
Total OPEB liability - ending	\$ <u>4,112,887</u>	\$ <u>2,442,301</u>	\$ <u>2,249,379</u>
Covered employee payroll	\$ 6,439,119	\$ 5,773,205	\$ 5,660,005
Total OPEB liability as a percentage of covered employee payroll	63.87%	42.30%	39.74%

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of Statement 75 to pay OPEB related benefits.

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 method and assumptions.

See Independent Auditors' Report.