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LAKES REGION PLANNING COMMISSION

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2021

LAKES REGION PLANNING COMMISSION

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INDEPENDENT AUDITORS' REPORT

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To the Board of Commissioners
Lakes Region Planning Commission

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, and the major fund of Lakes Region Planning Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lakes Region Planning Commission, as of June 30, 2021, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 and the Schedule of Pension Liabilities and Contributions on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of the 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 statement. 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 September 7, 2021, on our consideration of the Commission'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 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 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 Commission's internal control over financial reporting and compliance.

Hennessey & Vallee, PLLC
Concord, New Hampshire

September 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Lakes Region Planning Commission (the "Commission"), we offer readers this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2021.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows and inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 accounts of the Commission are reported as governmental funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

A. OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)***Notes to financial statements***

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

Other information

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

B. FINANCIAL HIGHLIGHTS

As of the close of the current fiscal year, the total assets and deferred outflows exceeded total liabilities and deferred inflows by \$277,654 (i.e., net position). In fiscal year 2018, the Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

As of the close of the current fiscal year, governmental funds reported an ending fund balance of \$572,981.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the condensed government-wide financial data for June 30, 2021.

NET POSITION

Current assets	\$ 820,230
Deferred outflows	<u>92,136</u>
Total assets and deferred outflows	<u>912,366</u>
Current liabilities	266,805
Noncurrent liabilities	340,467
Deferred inflows	<u>27,440</u>
Total liabilities and deferred inflows	<u>634,712</u>
Net position	
Unrestricted	<u>277,654</u>
Total net position	<u>\$ 277,654</u>

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

CHANGE IN NET POSITION

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	2021	2020
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 455,899	\$ 693,229
General revenues:		
Memership dues	128,530	128,530
Hazardous Waste	93,454	119,596
Investment income	57,690	18,405
Change in net pension liability		8,862
Donation income	50	2,767
Land use book sales	3,814	3,543
Total revenues	<u>739,437</u>	<u>974,932</u>
Expenses:		
Salaries and wages	430,351	409,250
Legal and professional	53,854	171,899
Contractor fees	76,989	101,224
Employee benefits	72,911	76,909
Payroll taxes	31,950	29,397
Equipment, rentals, maintenance and support	12,140	23,518
Office expense	6,516	18,225
Publishing	4,903	10,039
Rent	9,672	9,672
Traffic equipment	14,914	9,625
Insurance	3,377	9,488
Telephone	7,609	6,924
Audit	6,270	6,028
Copier lease	4,630	5,254
Travel	2,016	4,506
Utilities	4,106	1,291
Internet	-	2,732
Postage and printing	923	606
Miscellaneous	484	447
Change in pension liability	90,100	-
Inflows and outflows	<u>(86,815)</u>	<u>(14,377)</u>
Total expenses	<u>746,900</u>	<u>882,657</u>
Change in Net Position	(7,463)	92,275
Net position- beginning of year	<u>285,117</u>	<u>192,842</u>
Net position- end of year	<u>\$ 277,654</u>	<u>\$ 285,117</u>

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

Governmental Activities

Governmental activities for the year resulted in a change in net position of (\$7,463). Key elements of this change are as follows:

Operating results – General fund	\$	(4,483)
Change in deferred outflows of resources		58,835
Change in compensated absence liability		304
Change in net pension liability		(90,100)
Change in deferred inflows of resources		<u>27,981</u>
	\$	<u>(7,463)</u>

REQUESTS FOR INFORMATION

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

Lakes Region Planning Commission
103 Main Street Suite #3
Meredith NH 03253

LAKES REGION PLANNING COMMISSION
GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
June 30, 2021

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A S S E T S AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash	\$ 407,897
Investments (Notes)	269,565
Grants and contract receivables	142,679
Prepaid expenses	89
Total current assets	820,230
Noncurrent:	
Capital assets, net of accumulated depreciation	-
TOTAL ASSETS	820,230
Deferred Outflows of Resources	92,136
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 912,366</u>
L I A B I L I T I E S AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	\$ 3,403
Accrued payroll and related liabilities	14,298
Accrued vacation	19,556
Deferred revenue	229,548
Total current liabilities	266,805
Noncurrent:	
Net pension liability	340,467
Total noncurrent liabilities	340,467
TOTAL LIABILITIES	607,272
Deferred Inflows of Resources	27,440
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>634,712</u>
NET POSITION	
Restricted	-
Unrestricted	277,654
TOTAL NET POSITION	<u>\$ 277,654</u>

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

**LAKES REGION PLANNING COMMISSION
GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Change in Net Position Governmental Activities
Governmental Activities:			
Planning services	\$ 746,900	\$ 455,899	\$ (291,001)
Total Governmental Activities	<u>\$ 746,900</u>	<u>\$ 455,899</u>	<u>(291,001)</u>
General Revenues:			
Local dues			128,530
HHW income			93,454
Investment income			57,690
Miscellaneous			<u>3,864</u>
Total general revenues			<u>283,538</u>
Change in Net Position			(7,463)
Net Position:			
Beginning of year			<u>285,117</u>
End of year			<u>\$ 277,654</u>

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

LAKES REGION PLANNING COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET

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June 30, 2021
(With Comparative Totals as of June 30, 2020)

	GENERAL FUND	
	2021	2020
ASSETS		
Cash	\$ 407,897	\$ 384,586
Investments	269,565	212,093
Grants and contract receivables	142,679	254,609
Prepaid expenses	<u>89</u>	<u>102</u>
TOTAL ASSETS	<u>\$ 820,230</u>	<u>\$ 851,390</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable	\$ 3,403	\$ 43,481
Accrued payroll and related liabilities	14,298	13,551
Deferred revenue	<u>229,548</u>	<u>216,894</u>
TOTAL CURRENT LIABILITIES	<u>247,249</u>	<u>273,926</u>
Fund Balances		
Unrestricted	<u>572,981</u>	<u>577,464</u>
TOTAL FUND BALANCES	<u>572,981</u>	<u>577,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 820,230</u>	<u>\$ 851,390</u>

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

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LAKES REGION PLANNING COMMISSION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

June 30, 2021

Total governmental fund balances	\$ 572,981
Liabilities, including accrued vacation, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(19,556)
Deferred outflows of resources from net pension liability	92,136
Deferred inflows of resources from net pension liability	(27,440)
Net pension liability	<u>(340,467)</u>
Net position of governmental activities	<u>\$ 277,654</u>

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

LAKES REGION PLANNING COMMISSION

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GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	GENERAL FUND	
	2021	2020
Revenues:		
Contract revenue	\$ 455,899	\$ 693,229
Hazardous Waste	93,454	119,596
Local dues	128,530	128,530
Donation income	50	2,767
Land use book sales	3,814	3,543
Investment income	57,690	18,405
Total Revenues	<u>739,437</u>	<u>966,070</u>
Expenditures		
Salaries and wages	430,655	408,212
Legal and professional	51,439	171,899
Contractor fees	76,989	101,224
Employee benefits	72,911	76,909
Payroll taxes	31,950	29,397
Equipment, rentals, maintenance and support	12,140	23,518
Office expense	6,516	18,225
Publishing	4,903	10,039
Rent	9,672	9,672
Traffic equipment	14,914	9,625
Insurance	3,377	9,488
Telephone	7,609	6,924
Audit	6,270	6,028
Copier lease	4,630	5,254
Travel	2,016	4,506
Utilities	4,107	3,992
Internet	2,415	2,732
Postage and printing	923	606
Miscellaneous	484	447
Total expenses	<u>743,920</u>	<u>898,697</u>
Excess of revenues over expenditures	(4,483)	67,373
Fund balance - beginning of year	<u>577,464</u>	<u>510,091</u>
Fund balance - end of year	<u>\$ 572,981</u>	<u>\$ 577,464</u>

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

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LAKES REGION PLANNING COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances- total governmental funds	\$ (4,483)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Compensated absences	304
GASB 68 net pension liability changes:	
Net pension liability	(90,100)
Deferred outflows of resources	58,835
Deferred inflows of resources	<u>27,981</u>
Change in net position of governmental activities	<u>\$ (7,463)</u>

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

LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS

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1. Summary of Significant Accounting Principles

The accounting policies of the Lakes Region Planning Commission (the "Commission") conform to the Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Lakes Region Planning Commission is a special-purpose entity, a public agency, established pursuant to New Hampshire RSA 36:45-53, governed by a member elected Board of Commissioners. Its purpose is (1) to provide regional planning services in order to prepare and maintain a coordinated plan for development of the region (taking into account present and future needs) with a view toward encouraging the most appropriate use of land, and (2) to provide technical planning assistance to local governments.

On May 30, 2000, the State of New Hampshire enacted Chapter Law 200:1 (codified in RSA 36) entitled "Regional Planning Commissions" with an effective date of July 29, 2000. The new law specifically re-enacts the status of Regional Planning Commissions as "political subdivisions" of the State of New Hampshire. The law also amends the purpose therein (RSA 36:45), amends the formation and representative of its members (RSA 36:46), and specifically defined its finances (RSA 36:49).

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements

Separate financial statements are provided for governmental funds.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as *program revenues* include operating grants and contributions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. Summary of Significant Accounting Principles (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

D. Cash and Short-Term Investments

Deposits with financial institutions consist of deposits in checking and savings accounts.

E. Capital Assets

Capital assets include furniture and equipment. Capital assets are defined by the Commission as assets with an estimated useful life in excess of five years. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to an asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets over a period of five to ten years.

F. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements.

G. 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 the current assets and current liabilities/deferred inflows. The Commission 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 Commission's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in current form (prepaid) or can never be spent.
- 2) Restricted funds are solely used for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the Commission (i.e., the Board of Commissioners).

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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1. Summary of Significant Accounting Principles (Continued)

- 4) Assigned funds are used for specific purposes established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balances types, the Commission uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position – Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

H. Use of Estimates

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

2. Cash and Short-Term Investments

The carrying amount of the Commission's deposits with financial institutions at June 30, 2021 was \$407,897. The bank balance, which does not include items such as deposits in transit and outstanding checks, was fully insured.

3. FAIR VALUE MEASUREMENTS

Accounting Standards codification No 820 prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the inputs to information used in the valuation of an asset or liability as of the measurement date.

Fair value is defined as the price that would be received to sell an asset or amount paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Commission. Unobservable inputs are inputs that reflect the Commission's assumptions about the assumptions

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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3. FAIR VALUE MEASUREMENTS (Continued)

their market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Commission can access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Assets measured at fair value at June 30, 2021:

Level 1 Investments:

Stocks	\$108,197
Bonds	102,866
Short-term reserves	<u>58,502</u>
Total	<u>\$269,565</u>

4. Accounts Receivable

Receivables are comprised of amounts due from federal, state, and local governments for contractual services.

5. Lease Agreements

The Commission leases office space from Inter-Lakes School District. Either party may terminate lease by giving six months notice of intent. Rent expense for the year ended June 30, 2021 was \$9,672. A lease was signed October 15, 2020, for the period July 1, 2020, through June 30, 2022, with monthly payments of \$806.

The Commission entered into an agreement with Ricoh, USA, Inc. for the use of a Ricoh copier in June 2018. The agreement calls for minimum payments over a period of 4 years ending June 30, 2022 in the amount of \$319 per month.

Future Minimum Lease Payments are as follows for both the office and the copier:

2022 \$13,500

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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6. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

7. Commitments and Contingencies

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 Commission expects such amounts, if any, to be immaterial.

8. 457(b) Retirement Plan

All employees have the option of participating in a 457(b) plan. The 457(b) plan is a non-qualified retirement plan in which contributions are invested in mutual funds subject to market fluctuations. Under this plan, an employee may make salary reduction contributions, not to exceed a statutorily limited percentage. The 457(b) plan is a voluntary program.

9. New Hampshire Retirement System

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

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, 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.

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

9. New Hampshire Retirement System (Continued)

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B. Benefits Provided

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ or 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.89% for police and 12.09% for fire. The Commission makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 10.77% of covered compensation. The Commission's contributions to NHRS for the year ended June 30, 2021 were \$24,536 which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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9. New Hampshire Retirement System (Continued)

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

At June 30, 2021, the Commission reported a liability of \$340,467 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 Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Commission's proportion was .00520334 percent.

At the most recent measurement date of June 30, 2020, the Commission's proportion was .005323 percent, which was an increase of .00011966 percent from its previous year proportion.

For the year ended June 30, 2021, the Commission recognized pension expense of \$24,536.

	Deferred Inflows Of Resources	Deferred Outflows Of Resources
Difference between expected and actual experience	\$ (3,656)	\$9,194
Net difference between projected and actual investment earnings		21,058
Changes in assumptions		33,679
Changes in proportion and differences between contributions and proportionate share of contributions	(23,784)	4,558
Contributions subsequent to the measurement date	<u> </u>	<u>23,647</u>
Total	<u>\$ (27,440)</u>	<u>\$ 92,136</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 the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30:	
2021	(5,186)
2022	12,567
2023	16,816
2024	<u>16,852</u>
Total	<u>\$ 41,049</u>

9. New Hampshire Retirement System (Continued)

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

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
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 RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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, 2015 – June 30, 2019. The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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9. New Hampshire Retirement System (Continued)

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

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	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	3.96%
Emerging Int'l Equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core Bonds	9.00	.42%
Global Multi-Sector Fixed Income	10.00	1.66%
Unconstrained Fixed Income	<u>6.00</u>	.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	15.00	
Real Estate	<u>10.00</u>	2.95%
Total	<u>100.00</u> %	

Discount Rate

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

**LAKES REGION PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS**

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9. New Hampshire Retirement System (Continued)

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

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

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Fiscal Year Ended	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
June 30, 2021	\$ 440,766	\$ 340,467	\$ 258,509

Pension Plan Fiduciary Net Position

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

10. Risk Management

The Commission is exposed to various risk of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters for which the Commission carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

11. Subsequent Events

Management has evaluated events through September 7, 2021, the date the financial statements were available to be issued, and determined there were no material subsequent events that require disclosure.

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LAKES REGION PLANNING COMMISSION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(Unaudited)

	2021	2020	2019
<i>New Hampshire Retirement System</i>			
Proportion of the net pension liability for the most recent measure date	0.00532300%	0.00520334%	0.00538355%
Proportionate share of the net pension liability for the most recent measurement date	340,467	250,367	259,229
Covered-employee payroll for the most recent measurement date	217,247	213,855	204,370
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.72%	117.07%	126.84%

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

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LAKES REGION PLANNING COMMISSION
SCHEDULE OF CONTRIBUTIONS
(Unaudited)

	2021	2020	2019
<i>New Hampshire Retirement System</i>			
Contractually required contribution for the current fiscal year	\$ 23,647	\$ 22,644	\$ 22,754
Contributions in relation to the contractually required contribution	<u>(23,647)</u>	<u>(22,644)</u>	<u>(22,754)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll for the current fiscal year	\$ 217,247	\$ 213,855	\$ 204,370
Contributions as a percentage of covered-employee payroll	10.88%	10.59%	11.13%

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

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

To the Commissioners
Lakes Region Planning Commission
Meredith, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lakes Region Planning Commission, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Lakes Region Planning Commission's basic financial statements, and have issued our report thereon dated September 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakes Region Planning Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lakes Region Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakes Region Planning Commission's internal control.

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Hennessey & Vallee, PLLC
Concord, New Hampshire

September 7, 2021