

Pease Development Authority

(A Component Unit of the State of New Hampshire)

Financial Statements and Management's Discussion and Analysis

*Years Ended June 30, 2017 and 2016
With Independent Auditor's Report*



PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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**PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)**

BOARD OF DIRECTORS

George M. Bald, Chairman
Appointed by the New Hampshire State Governor and Executive Council

Peter J. Loughlin, Vice Chairman
Appointed by the City of Portsmouth and Town of Newington

Robert A. Allard, Treasurer
Appointed by the New Hampshire Speaker of the House

John P. Bohenko
Appointed by the City of Portsmouth

Margaret F. Lamson
Appointed by the Town of Newington

Robert F. Preston
Appointed by the New Hampshire Senate President

Franklin G. Torr
Appointed by Strafford County Legislative Delegation

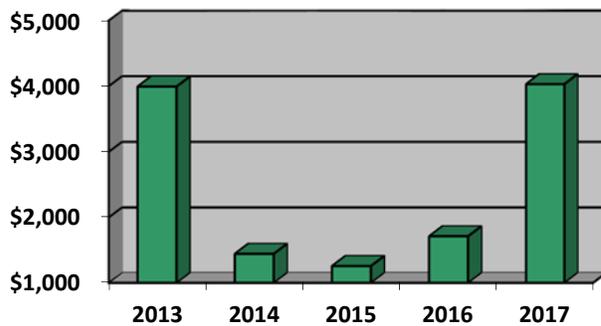
David R. Mullen
Executive Director and Secretary
Hired by the Pease Development Authority Board of Directors



PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)
FINANCIAL HIGHLIGHTS (UNAUDITED)
(\$ in Thousands)

	2013	2014	2015	2016	2017
Consolidated Revenues					
Tradeport	\$ 7,926	\$ 7,631	\$ 7,826	\$ 8,028	\$ 8,264
Ports and Harbors	4,223	2,773	2,762	2,474	2,495
Golf Course	1,658	1,621	2,197	2,420	2,472
Aviation	<u>1,232</u>	<u>1,173</u>	<u>1,117</u>	<u>1,237</u>	<u>1,237</u>
Total	\$ <u>15,039</u>	\$ <u>13,198</u>	\$ <u>13,902</u>	\$ <u>14,159</u>	\$ <u>14,468</u>

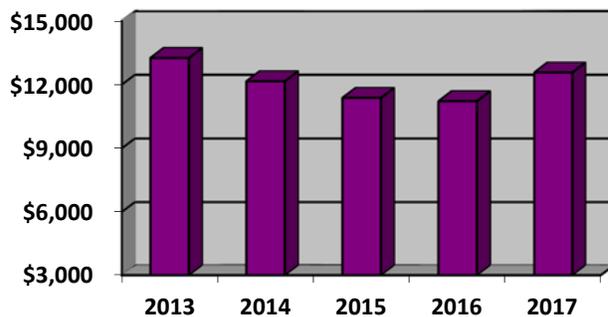
**UNRESTRICTED CASH AND
CASH EQUIVALENTS**



- Debt outstanding has been significantly reduced reflecting lower non-grant related capital expenditure requirements across all business units:

June 30	Amount
2013	\$ 3,532
2014	4,307
2015	3,345
2016	465
2017	349

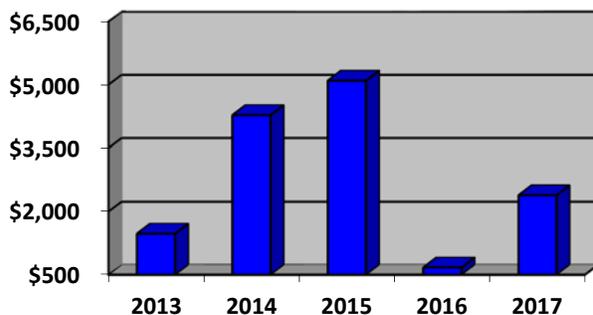
**OPERATING EXPENSES
(EXCLUDING DEPRECIATION)**



- Capital assets, primarily due to third party grant funding and renovations to the golf course, Portsmouth International Airport (PSM) and Skyhaven Airport (DAW) have continued to increase during the past several fiscal years:

June 30	Amount
2013	\$ 146,771
2014	153,811
2015	159,556
2016	161,023
2017	164,071

CONTRIBUTED CAPITAL



- Net cash provided by operating activities has stabilized during the past several fiscal years due to lower allowances for doubtful accounts:

June 30	Amount
2013	\$ 3,859
2014	40
2015	2,748
2016	4,221
2017	3,382



INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Pease Development Authority
(A Component Unit of the State of New Hampshire)

Report on the Financial Statements

We have audited the accompanying financial statements of Pease Development Authority (PDA), a component unit of the State of New Hampshire, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise PDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PDA as of June 30, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Board of Directors of
Pease Development Authority
(A Component Unit of the State of New Hampshire)

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 5 to 14 and the required supplementary information on pages 36 to 37 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 U.S. generally accepted auditing standards, 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The financial highlights section on page 2 is presented for the purpose of additional analysis and is not a required part of the financial statements. The financial highlights section has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of PDA'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 PDA's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 19, 2017

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED)

This report identifies the Pease Development Authority's ("PDA") financial position and describes PDA's financial activities over the past three fiscal years. This section of PDA's annual financial report is known as "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" ("MD&A") and presents our discussion and analysis of PDA's consolidated financial performance during the fiscal years ended June 30, 2017, 2016 and 2015.

The MD&A is an analysis of the financial condition and operating results of PDA and is intended to introduce the basic financial statements and notes to those statements. The MD&A must be presented in every financial report that includes basic financial statements prepared in accordance with accounting principles generally accepted in the United States of America. It is intended to provide an objective and easily readable analysis of PDA's financial activities based on currently known facts, decisions, or conditions. This MD&A should be read in conjunction with PDA's financial statements and accompanying notes.

Overview of the Financial Statements

This annual report consists of three parts: a) Management's discussion and analysis; b) the basic audited financial statements which include notes explaining some of the information in the financial statements and provide detailed data; and c) required supplementary information.

PDA is a self-supporting entity and follows enterprise fund reporting; accordingly, the financial statements are presented using the accrual basis of accounting. The component unit financial statements offer short and long-term financial information about the activities and operations of PDA. These statements are presented in a manner similar to a private business.

The statements of net position show the financial position of PDA at the end of each fiscal year and include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The total net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, an increase in net position is one indicator of an institution's financial health.

The statements of revenues, expenses and changes in net position report total operating revenues, operating expenses, nonoperating income (expense), contributed capital and the change in net position for the years ended June 30, 2017 and 2016.

The statements of cash flows summarize transactions involving cash and cash equivalents during each fiscal year. The statements provide an additional tool to assess the financial health of the institution and its ability to generate future cash flows to meet its obligations.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONCLUDED)

Current Assets

Current assets are those assets that are expected to be used (sold or consumed) within a year, unlike non-current assets. Current assets are reflected on the statement of net position and are listed in order of decreasing liquidity. The current asset position of a company is important, both for assessing its financial strength and for gauging its operational efficiency.

Comparison of 2017 to 2016

Changes in Current Assets

(\$ in Thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cash and Cash Equivalents	\$ 4,032	\$ 1,713	\$ 2,319	135.4
Accounts Receivable - Net	1,324	589	735	124.8
Other Current Assets	<u>536</u>	<u>467</u>	<u>69</u>	<u>14.8</u>
Total Current Assets	<u>\$ 5,892</u>	<u>\$ 2,769</u>	<u>\$ 3,123</u>	<u>112.8</u>

PDA's current assets increased by \$3.1 million or 112.8% primarily due to the increases in cash and cash equivalents as well as accounts receivable associated with grant related capital projects. The primary reason for the increase in cash and cash equivalents was associated with reduced non-grant related construction activities as well as an increase in accounts payable and accrued expenses at year-end. Receivables for grant related capital projects were reflective of fiscal year end construction activities at both PSM and DAW. Accounts receivable included an allowance for doubtful accounts of approximately 0.4% and 1.2% of total accounts receivable at June 30, 2017 and 2016, respectively.

Comparison of 2016 to 2015

Changes in Current Assets

(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cash and Cash Equivalents	\$ 1,713	\$ 1,257	\$ 456	36.3
Accounts Receivable - Net	589	1,899	(1,310)	(69.0)
Other Current Assets	<u>467</u>	<u>471</u>	<u>(4)</u>	<u>(0.8)</u>
Total Current Assets	<u>\$ 2,769</u>	<u>\$ 3,627</u>	<u>\$ (858)</u>	<u>(23.7)</u>

PDA's current assets decreased by \$0.9 million or 23.7% primarily due to the decrease in accounts receivable. The resulting increase in cash and cash equivalents was partially offset to reduce debt outstanding and to support construction activities across all business units. Accounts receivable included an allowance for doubtful accounts of approximately 1.2% and 0.9% of total accounts receivable at June 30, 2016 and 2015, respectively.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Restricted Assets

Restricted assets represent amounts that are subject to externally imposed restrictions on their use by creditors, grantors, laws, regulations, or through constitutional restrictions or enabling legislation.

Comparison of 2017 to 2016

Changes in Restricted Assets
(\$ in Thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cash and Cash Equivalents	\$ 695	\$ 597	\$ 98	16.4
Revolving Loan Fishery Fund Receivable	1,073	1,085	(12)	(1.1)
Accounts Receivable Other- Net	<u>4</u>	<u>8</u>	<u>(4)</u>	<u>(50.0)</u>
Total Restricted Assets	<u>\$ 1,772</u>	<u>\$ 1,690</u>	<u>\$ 82</u>	<u>4.9</u>

Total restricted assets increased by approximately \$0.1 million or 4.9% primarily due to the increase in cash and cash equivalents. The primary reason for this increase was associated with the positive net cash flow in the current fiscal year of the Harbor Dredging and Pier Maintenance Fund. Total assets associated with the Revolving Loan Fishery Fund had a composite valuation of approximately \$1.2 million at June 30, 2017 and 2016. There were 27 individual loans outstanding at June 30, 2017 and 2016.

Comparison of 2016 to 2015

Changes in Restricted Assets
(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Cash and Cash Equivalents	\$ 597	\$ 875	\$ (278)	(31.8)
Revolving Loan Fishery Fund Receivable	1,085	781	304	38.9
Accounts Receivable Other- Net	<u>8</u>	<u>206</u>	<u>(198)</u>	<u>(96.1)</u>
Total Restricted Assets	<u>\$ 1,690</u>	<u>\$ 1,862</u>	<u>\$ (172)</u>	<u>(9.2)</u>

Total restricted assets decreased by approximately 9.2% during the current fiscal year primarily due to the decrease in accounts receivable balances due from the State of New Hampshire, and the \$0.3 million decrease in cash and cash equivalents related to increased loan activity within the Revolving Loan Fishery Fund. Total assets associated with the Revolving Loan Fishery Fund had a composite valuation of approximately \$1.2 million at June 30, 2016 and 2015. There were 27 individual loans outstanding at June 30, 2016 versus 24 at June 30, 2015.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Capital Assets

PDA independently develops and maintains the Tradeport. Through the Division of Ports and Harbors (PDA-DPH), PDA maintains and develops New Hampshire's ports, harbors, and navigable tidal rivers. Capital expenditures typically extend the useful life of an asset and can be financed through internal funds, grant related funding or access to the capital markets.

Comparison of 2017 to 2016

Changes in Capital Assets
(\$ in Thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Land	\$ 7,521	\$ 7,521	\$ -	-
Facilities Improvements	141,327	139,271	2,056	1.5
Equipment	13,919	13,696	223	1.6
Construction in Process	<u>1,304</u>	<u>534</u>	<u>770</u>	<u>144.2</u>
Gross Capital Assets	164,071	161,022	3,049	1.9
Accumulated Depreciation	<u>(98,400)</u>	<u>(92,434)</u>	<u>5,966</u>	<u>6.5</u>
Total Capital Assets	<u>\$ 65,671</u>	<u>\$ 68,588</u>	<u>\$ (2,917)</u>	<u>(4.3)</u>

PDA's capital acquisitions totaled approximately \$3.1 million in the current year primarily in support of either federal or state funded projects. The more significant capital projects included runway reconstruction activities at PSM and DAW. Additional funds were expended in support of various infrastructure improvements at PSM and the Pease Tradeport. Approximately \$2.4 million of the total capital expenditures were associated with either federal or state funded projects.

Comparison of 2016 to 2015

Changes in Capital Assets
(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Land	\$ 7,521	\$ 7,521	\$ -	-
Facilities Improvements	139,271	128,142	11,129	8.7
Equipment	13,696	13,287	409	3.1
Construction in Process	<u>534</u>	<u>10,606</u>	<u>(10,072)</u>	<u>(95.0)</u>
Gross Capital Assets	161,022	159,556	1,466	0.9
Accumulated Depreciation	<u>(92,434)</u>	<u>(86,324)</u>	<u>6,110</u>	<u>7.1</u>
Total Capital Assets	<u>\$ 68,588</u>	<u>\$ 73,232</u>	<u>\$ (4,644)</u>	<u>(6.3)</u>

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Capital Assets *(concluded)*

PDA's capital acquisitions totaled approximately \$1.5 million in the current year primarily in support of either federal or state funded projects. The more significant capital projects included runway reconstruction activities at PSM and DAW. Additional funds were expended in support of various infrastructure improvements at the Pease Golf Clubhouse. Approximately \$1.0 million of the total capital expenditures were associated with either federal or state funded projects.

Long-Term Liabilities

Monies have been borrowed, on a short-term basis, for capital improvements from local financial and municipal institutions.

Comparison of 2017 to 2016

Changes in Long-Term Liabilities

(\$ in Thousands)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Net Pension Liability	\$ 5,490	\$ 4,256	\$ 1,234	29.0
Due to City of Portsmouth - Waste Water Treatment Facility	233	349	(116)	(33.2)
Compensated Absences	<u>105</u>	<u>109</u>	<u>(4)</u>	<u>(3.7)</u>
Total Long-Term Liabilities	<u>\$ 5,828</u>	<u>\$ 4,714</u>	<u>\$ 1,114</u>	<u>23.6</u>

The PDA increased its total noncurrent liabilities outstanding during the fiscal year by approximately \$1.1 million or 23.6%. The more significant increase was associated with the change in the net pension liability, which reflected the overall investment performance which was less than the targeted performance benchmark. During the fiscal year, a total of \$0.1 million of total long-term debt was retired as associated with the PDA's outstanding obligation to the City of Portsmouth. At the end of the 2017 fiscal year, PDA's overall cost of capital was 4.5%.

Comparison of 2016 to 2015

Changes in Long-Term Liabilities

(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Net Pension Liability	\$ 4,256	\$ 3,687	\$ 569	15.4
Due to City of Portsmouth - Waste Water Treatment Facility	349	465	(116)	(24.9)
Compensated Absences	<u>109</u>	<u>111</u>	<u>(2)</u>	<u>(1.8)</u>
Total Long-Term Liabilities	<u>\$ 4,714</u>	<u>\$ 4,263</u>	<u>\$ 451</u>	<u>10.6</u>

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Long-Term Liabilities *(concluded)*

The PDA increased its total noncurrent liabilities outstanding during the fiscal year by approximately \$0.5 million or 10.6%. The more significant increase was associated with the change in the net pension liability, which reflected PDA's increase of its proportionate share obligation. During the fiscal year, a total of \$0.1 million of total long-term debt was retired while the \$5.0 million Revolving Line of Credit Facility was repaid in full. At the end of the 2016 fiscal year, PDA's overall cost of capital was approximately 4.5%.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt and adding back any unspent proceeds.

Comparison of 2017 to 2016

Statements of Net Position
(\$ in Thousands)

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>\$ Increase</u> <u>(Decrease)</u>	<u>% Increase</u> <u>(Decrease)</u>
Current Assets	\$ 5,892	\$ 2,769	\$ 3,123	112.8
Restricted Assets	1,772	1,690	82	4.9
Capital Assets	<u>65,671</u>	<u>68,588</u>	<u>(2,917)</u>	<u>(4.3)</u>
Total Assets	73,335	73,047	288	0.4
Deferred Outflows of Resources	<u>1,722</u>	<u>776</u>	<u>946</u>	<u>121.9</u>
Current Liabilities	3,420	2,847	573	20.1
Noncurrent Liabilities	<u>5,828</u>	<u>4,714</u>	<u>1,114</u>	<u>23.6</u>
Total Liabilities	9,248	7,561	1,687	22.3
Deferred Inflows of Resources	<u>209</u>	<u>207</u>	<u>2</u>	<u>1.0</u>
Net Investment in Capital Assets	64,435	67,845	(3,410)	(5.0)
Restricted Net Position	1,517	1,421	96	6.8
Unrestricted Net Position	<u>(352)</u>	<u>(3,211)</u>	<u>2,859</u>	<u>(89.0)</u>
Total Net Position	<u>\$ 65,600</u>	<u>\$ 66,055</u>	<u>\$ (455)</u>	<u>(0.7)</u>

PDA's total assets increased \$0.3 million or 0.4% primarily due to the increase in current assets, which was primarily due to the increase in cash and cash equivalents. Restricted assets are primarily represented by the Revolving Loan Fishery Fund, which had an approximate value of \$1.2 million at June 30, 2017 and 2016.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Net Position *(continued)*

The increase in deferred outflows of resources related to the pension plan and increase in deferred inflows of resources are reflective of the overall change in PDA's net pension liability which was \$5.5 million at June 30, 2017 versus \$4.3 million at June 30, 2016.

PDA's total liabilities increased by \$1.7 million or 22.3% primarily due to the increase in PDA's net pension obligation.

PDA's net position decreased by \$0.5 million or 0.7%. This decrease is primarily due to the \$3.4 million reduction in Net Investment in Capital Assets which was partially offset by the \$2.9 million improvement in PDA's Unrestricted Net Position.

Comparison of 2016 to 2015

Statements of Net Position
(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Current Assets	\$ 2,769	\$ 3,627	\$ (858)	(23.7)
Restricted Assets	1,690	1,862	(172)	(9.2)
Capital Assets	<u>68,588</u>	<u>73,232</u>	<u>(4,644)</u>	<u>(6.3)</u>
Total Assets	73,047	78,721	(5,674)	(7.2)
Deferred Outflows of Resources	<u>776</u>	<u>413</u>	<u>363</u>	<u>87.9</u>
Current Liabilities	2,847	5,860	(3,013)	(51.4)
Noncurrent Liabilities	<u>4,714</u>	<u>4,263</u>	<u>451</u>	<u>10.6</u>
Total Liabilities	7,561	10,123	(2,562)	(25.3)
Deferred Inflows of Resources	<u>207</u>	<u>472</u>	<u>(265)</u>	<u>(56.1)</u>
Net Investment in Capital Assets	67,845	72,041	(4,196)	(5.8)
Restricted Net Position	1,421	1,590	(169)	(10.6)
Unrestricted Net Position	<u>(3,211)</u>	<u>(5,092)</u>	<u>1,881</u>	<u>(36.9)</u>
Total Net Position	<u>\$ 66,055</u>	<u>\$ 68,539</u>	<u>\$ (2,484)</u>	<u>(3.6)</u>

PDA's total assets decreased \$5.7 million or 7.2% primarily due to depreciation expense being greater than capital asset expenditures. The decrease in current assets was primarily due to reductions in grant related accounts receivable balances. Restricted assets are primarily represented by the Revolving Loan Fishery Fund, which had an approximate value of \$1.2 million at June 30, 2016 and \$1.1 million at June 30, 2015.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Net Position *(concluded)*

The increase in deferred outflows of resources related to the pension plan and decrease in deferred inflows of resources are reflective of the overall change in PDA's net pension liability.

PDA's total liabilities decreased by \$2.6 million or 25.3% primarily due to the \$2.8 million repayment of the Revolving Line of Credit. This decrease was offset by the \$0.6 million increase in PDA's net pension obligation.

PDA's net position decreased by \$2.5 million or 3.6%. This decrease is primarily due to the \$4.2 million reduction in Net Investment in Capital Assets.

Change in Net Position

PDA charges various types of fees for the rental or usage of its land and facilities.

Comparison of 2017 to 2016

Statements of Changes in Net Position
(\$ in Thousands)

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>\$ Increase</u> <u>(Decrease)</u>	<u>% Increase</u> <u>(Decrease)</u>
Operating Revenues				
Rental of Facilities	\$ 9,588	\$ 9,488	\$ 100	1.1
Fee Revenues	3,040	2,942	98	3.3
Fuel Sales	684	766	(82)	(10.7)
Concession and Other Miscellaneous	1,156	963	193	20.0
Total Operating Revenues	<u>14,468</u>	<u>14,159</u>	<u>309</u>	<u>2.2</u>
Operating Expenses				
Personnel Services and Benefits	6,894	6,631	263	4.0
Depreciation	5,965	6,111	(146)	(2.4)
Building and Facilities Maintenance	1,379	1,512	(133)	(8.8)
General and Administrative	729	750	(21)	(2.8)
Other	2,333	2,273	60	2.6
Total Operating Expenses	<u>17,300</u>	<u>17,277</u>	<u>23</u>	<u>0.1</u>
Operating Loss	<u>(2,832)</u>	<u>(3,118)</u>	<u>286</u>	<u>9.2</u>
Nonoperating Income (Expense)				
Interest Expense	(18)	(39)	21	(53.8)
Interest Income	7	3	4	133.3
Total Nonoperating Income (Expense)	<u>(11)</u>	<u>(36)</u>	<u>25</u>	<u>(69.4)</u>
Loss Before Contributed Capital	(2,843)	(3,154)	311	9.9
Contributed Capital	<u>2,388</u>	<u>671</u>	<u>1,717</u>	<u>255.9</u>
Change in Net Position	<u>\$ (455)</u>	<u>\$ (2,483)</u>	<u>\$ 2,028</u>	<u>81.7</u>

Total operating revenues increased by \$0.3 million or 2.2% primarily due to increases in rental of facilities as well as increases in concession revenues primarily associated with Grill 28 restaurant operations. Offsetting these increases were lower fuel sales at the PDA-DPH due to a continued restrictive regulatory environment for the commercial fishing industry.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONTINUED)

Change in Net Position *(continued)*

Total operating expenses increased by approximately \$23 thousand primarily due to the increase in current year pension expenses which were offset by reductions in certain operating expenses including payroll, utilities and the cost of fuel for resale at both PDA-DPH and DAW.

Net non-operating expense decreased by approximately \$25 thousand due to reduction in interest expenses reflective of PDA's ability to internally fund capital project related activities.

The increase in contributed capital of \$1.7 million reflects increased grant related construction projects at PSM and DAW. During the year ended June 30, 2017, a total of \$3.1 million was spent on the purchase of capital assets of which approximately \$2.4 million were either grant funded or supported by the State for purposes of PDA-DPH.

Comparison of 2016 to 2015

Statements of Changes in Net Position
(\$ in Thousands)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Operating Revenues				
Rental of Facilities	\$ 9,488	\$ 9,168	\$ 320	3.5
Fee Revenues	2,942	2,981	(39)	(1.3)
Fuel Sales	766	904	(138)	(15.3)
Concession and Other Miscellaneous	963	849	114	13.4
Total Operating Revenues	<u>14,159</u>	<u>13,902</u>	<u>257</u>	<u>1.8</u>
Operating Expenses				
Personnel Services and Benefits	6,631	6,556	75	1.1
Depreciation	6,111	6,222	(111)	(1.8)
Building and Facilities Maintenance	1,512	1,414	98	6.9
General and Administrative	750	777	(27)	(3.5)
Other	2,273	2,593	(320)	(12.3)
Total Operating Expenses	<u>17,277</u>	<u>17,562</u>	<u>(285)</u>	<u>(1.6)</u>
Operating Loss	<u>(3,118)</u>	<u>(3,660)</u>	<u>542</u>	<u>14.8</u>
Nonoperating Income (Expense)				
Interest Expense	(39)	(128)	89	(69.5)
Interest Income	3	3	-	-
Gain on Insurance Proceeds	-	220	(220)	(100.0)
Gain on Sale of Capital Assets	-	1	(1)	(100.0)
Total Nonoperating Income (Expense)	<u>(36)</u>	<u>96</u>	<u>(132)</u>	<u>137.5</u>
Loss Before Contributed Capital	<u>(3,154)</u>	<u>(3,564)</u>	<u>410</u>	<u>11.5</u>
Contributed Capital	<u>671</u>	<u>5,096</u>	<u>(4,425)</u>	<u>(86.8)</u>
Change in Net Position	<u>\$ (2,483)</u>	<u>\$ 1,532</u>	<u>\$ (4,015)</u>	<u>262.1</u>

Total operating revenues increased by \$0.3 million or 1.8% primarily due to increases in rental of facilities of 3.5%. To a lesser extent, increases were realized in concession revenues primarily associated with Grill 28 restaurant operations. Offsetting these increases were lower fuel sales at the PDA-DPH due to a continued restrictive regulatory environment for the commercial fishing industry.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS (UNAUDITED) (CONCLUDED)

Change in Net Position *(concluded)*

Total operating expenses decreased by \$0.3 million or 1.6% primarily due to a reduction in utilities, professional services and the cost of fuel for resale at the PDA-DPH. These decreases were offset by an increase in personnel services and benefits, which reflects escalation in salaries and fringe benefit costs.

Net non-operating expense increased by \$0.1 million due to a one-time gain on insurance proceeds realized in the prior year.

The decrease in contributed capital of \$4.4 million reflects reduced grant related construction projects at PSM and DAW. During the year ended June 30, 2016, a total of \$1.5 million was spent on the purchase of capital assets of which approximately \$1.0 million were either grant funded or supported by the State for purposes of the PDA-DPH.

Contacting the PDA's Leadership Team

This financial report is designed to provide a general overview of PDA's finances and to demonstrate PDA's accountability for the grants that it receives. If you have questions about this report or need additional financial information, please contact David Mullen, Executive Director, at 55 International Drive Portsmouth, NH 03801 via email at d.mullen@peasedev.org or by telephone at 603.433.6088. Visit the PDA website at: www.peasedev.org.

Other members of the PDA's Leadership Team include:

Paul Brean
Airport Director

Irv Canner, C.P.A.
Director of Finance

Scott DeVito
Golf Course General Manager

Lynn Hinchee
Deputy Director and General Counsel

Captain Geno Marconi
Director- Division of Ports and Harbors

Maria Stowell, P.E.
Engineering Manager

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,031,701	\$ 1,713,347
Accounts Receivable - Net	1,323,695	588,746
Other Current Assets	536,497	467,232
Total Current Assets	5,891,893	2,769,325
Restricted Assets:		
Cash and Cash Equivalents	695,402	597,140
Accounts Receivable - Net	1,076,505	1,092,715
Total Restricted Assets	1,771,907	1,689,855
Capital Assets	65,671,476	68,588,287
Total Assets	73,335,276	73,047,467
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,722,215	776,349
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	1,717,296	1,855,440
Accounts Payable for Capital Assets	887,864	278,486
Unearned Revenues	698,798	597,019
Current Portion of Long-Term Liabilities	116,290	116,290
Total Current Liabilities	3,420,248	2,847,235
Noncurrent Liabilities:		
Net Pension Liability	5,489,977	4,255,991
Other Noncurrent Liabilities	338,052	458,009
Total Noncurrent Liabilities	5,828,029	4,714,000
Total Liabilities	9,248,277	7,561,235
DEFERRED INFLOWS OF RESOURCES		
Pension	209,138	207,139
NET POSITION		
Net Investment in Capital Assets	64,434,742	67,844,642
Restricted For:		
Revolving Loan Fishery Fund	1,182,758	1,159,304
Harbor Dredging and Pier Maintenance	288,229	211,815
Foreign Trade Zone	46,634	50,557
Unrestricted	(352,287)	(3,210,876)
Total Net Position	\$ 65,600,076	\$ 66,055,442

See accompanying notes to financial statements.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Rental of Facilities	\$ 9,588,439	\$ 9,487,497
Fee Revenues:		
Golf Course Operations	1,886,729	1,869,207
Mooring, Dockage, Pier Usage and Boat Registrations	1,027,021	955,138
All Other	126,555	117,402
	<u>3,040,305</u>	<u>2,941,747</u>
Fuel Sales	683,809	765,841
Concession and Other Miscellaneous	1,155,529	963,439
Total Operating Revenues	<u>14,468,082</u>	<u>14,158,524</u>
Operating Expenses		
Personnel Services and Benefits	6,894,226	6,631,406
Depreciation	5,965,138	6,110,575
Building and Facilities Maintenance	1,378,872	1,511,832
Utilities	746,627	887,474
General and Administrative	728,596	750,054
Professional Services	701,272	444,272
All Other	885,398	940,721
Total Operating Expenses	<u>17,300,129</u>	<u>17,276,334</u>
Operating Loss	<u>(2,832,047)</u>	<u>(3,117,810)</u>
Nonoperating Income (Expense)		
Interest Income	6,896	3,343
Interest Expense	(18,373)	(39,406)
Total Nonoperating Income (Expense)	<u>(11,477)</u>	<u>(36,063)</u>
Loss Before Contributed Capital	(2,843,524)	(3,153,873)
Contributed Capital	2,388,158	671,128
Change in Net Position	(455,366)	(2,482,745)
Net Position at Beginning of Year	<u>66,055,442</u>	<u>68,538,187</u>
Net Position at End of Year	<u>\$ 65,600,076</u>	<u>\$ 66,055,442</u>

See accompanying notes to financial statements.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 14,638,122	\$ 15,555,389
Cash Payments to Personnel for Services and Benefits	(6,604,107)	(6,444,784)
Cash Payments to Suppliers of Goods and Services	(4,651,842)	(4,889,680)
	<u>3,382,173</u>	<u>4,220,925</u>
Cash Flows From Noncapital Financing Activities		
Net Repayments on the Provident Bank Revolving Line of Credit Facility	-	(2,750,000)
Interest Paid on the Provident Bank Line of Credit Facility	-	(15,780)
	<u>-</u>	<u>(2,765,780)</u>
Cash Flows From Capital and Related Financing Activities		
Contributed Capital received	1,601,158	671,128
Purchase of Capital Assets	(2,438,949)	(1,811,512)
Interest Paid on Capital Debt	(18,373)	(23,626)
Repayment of Long-Term Liabilities	(116,289)	(116,289)
	<u>(972,453)</u>	<u>(1,280,299)</u>
Cash Flows From Investing Activities		
Interest Income Received	6,896	3,343
	<u>2,416,616</u>	<u>178,189</u>
Increase in Cash and Cash Equivalents	2,416,616	178,189
Cash and Cash Equivalents - Beginning of Year	<u>2,310,487</u>	<u>2,132,298</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,727,103</u>	<u>\$ 2,310,487</u>

See accompanying notes to financial statements.

PEASE DEVELOPMENT AUTHORITY
(A Component of the State of New Hampshire)
STATEMENTS OF CASH FLOWS (CONCLUDED)
For the Years Ended June 30, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating Loss	\$ (2,832,047)	\$ (3,117,810)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	5,965,138	6,110,575
Change in Allowance for Doubtful Accounts	(2,000)	(20,000)
All Other	(3,668)	(1,222)
Changes in Operating Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
Accounts Receivable	70,261	1,224,324
Other Assets	(69,265)	3,808
Deferred Outflows of Resources - Pension	(945,866)	(363,512)
Accounts Payable and Accrued Expenses	(138,144)	31,302
Unearned Revenues	101,779	49,258
Net Pension Liability	1,233,986	568,837
Deferred Inflows of Resources - Pension	1,999	(264,635)
Net Cash Provided by Operating Activities	\$ 3,382,173	\$ 4,220,925
Reconciliation of Noncash Activity:		
Acquisition of Capital Assets	\$ 3,057,777	\$ 1,480,827
Less: Accounts Payable and Accrued Expenses as of Year-end	(887,864)	(278,486)
Transfer of Capitalized Project to Expense	(9,450)	-
Add: Payments on Short-Term Trade Accounts to Finance Acquisitions of Capital Assets	278,486	609,171
Payments for the Acquisition of Capital Assets	\$ 2,438,949	\$ 1,811,512
Contributed Capital income	\$ 2,388,158	\$ 671,128
Less: Accounts Receivable as of Year-end	(787,000)	-
Contributed Capital received	\$ 1,601,158	\$ 671,128

See accompanying notes to financial statements.

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. Reporting Entity

The Pease Development Authority ("PDA"), a component unit of the State of New Hampshire (the "State") is the successor entity to the Pease Redevelopment Commission ("PRC"). The PRC was created on March 21, 1989 by an act of the General Court of the State. The mandate of the PRC was to prepare a comprehensive plan for the conversion and redevelopment of Pease Air Force Base. The guiding principles of the plan were job creation, fiscal viability, economic development, and environmental quality.

Effective June 1, 1990, the PRC was dissolved and PDA was established as its successor with the goals of converting and redeveloping the Pease International Tradeport ("Tradeport"). PDA is a component unit of the State and is discretely presented in the Comprehensive Annual Financial Report of the State.

PDA is a body corporate and politic with a governing body of seven members. The Governor and State legislative leadership appoint four members and the City of Portsmouth ("COP") and the Town of Newington appoint three members.

Pursuant to Chapter 290, Laws of 2001, the New Hampshire State Port Authority ("Port"), a former agency of the primary State government, was transferred to PDA effective July 1, 2001. In doing so, the State authorized the transfer of functions, powers and duties of the Port to PDA, acting through the Division of Ports and Harbors ("PDA-DPH"). The PDA-DPH is charged with the responsibility to: 1) plan for the maintenance and development of the ports, harbors and navigable tidal rivers of the State; 2) foster and stimulate commerce and the shipment of freight; 3) aid in the development of salt water fisheries and associated industries; 4) cooperate with any federal agencies or departments in planning the maintenance, development, and use of the State ports, harbors, and navigable tidal rivers; and 5) plan, develop, maintain, use and operate land transportation facilities within a 15 mile radius of the PDA-DPH headquarters in Portsmouth, New Hampshire.

As a result of the transfer of the Port to PDA, the Harbor Dredging and Pier Maintenance Fund was transferred to PDA. This fund was set up for the purposes of initiating and implementing harbor dredging projects and maintaining public piers. On July 1, 2001, also as a result of the transfer of the Port to the PDA, the Revolving Loan Fishery Fund was transferred to the PDA. The Revolving Loan Fishery Fund was established in July 1994 by the Port through a Federal Economic Development Administration grant in the amount of \$810,000. The grant funds and related interest earned thereon provide a revolving loan fund to offer direct assistance to the fishing industry and to aid in the creation of economic opportunities within the industry.

Pursuant to Chapter 356, Laws of 2008, House Bill 65 was enacted by the State Legislature on July 11, 2008. The bill: 1) provides that service of non-classified employees of PDA shall be credited as continuous State service for all purposes; 2) makes PDA fund a nonlapsing fund for the benefit of PDA-DPH; 3) requires a biennial report of the PDA-DPH; and 4) repeals provisions relative to coordination with the Department of Resources and Economic Development, reports on economic development programs and the Harbor Management Fund.

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

1. Reporting Entity (concluded)

On May 12, 2008, the State, through House Bill 1168-FN-LOCAL, passed legislation that required the New Hampshire Department of Transportation (“NHDOT”) to negotiate a lease, which became effective November 1, 2008, with PDA for the operation of Skyhaven Airport (“DAW”) located in Rochester, New Hampshire. With the passage of Chapter 113, Laws of 2009, enacted on June 22, 2009, the NHDOT was directed to convey ownership of DAW to PDA. The law required that PDA accept ownership of, manage and operate DAW, and act as the official Airport owner, operator, and sponsor. PDA accepted this transfer of ownership, from and after July 1, 2009 with no liability relative to any regulatory matters or causes of action arising prior to November 1, 2008.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of PDA were prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and as prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. PDA uses enterprise fund reporting, which uses the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the Statements of Cash Flows, include cash which is either held in demand deposit or short-term money market accounts, and highly liquid savings deposits and investments with original maturities less than three months from the date acquired.

PDA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. PDA has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are carried at cost, less an allowance for doubtful accounts. Receivable balances also include outstanding loans from the Revolving Loan Fishery Fund, including principal plus accrued interest. Management provides an allowance for doubtful accounts based on an analysis of accounts that are delinquent based on payment terms. Accounts are written off when deemed uncollectible.

Capital Assets

Land, equipment, and buildings and facilities improvements are stated at cost. Depreciation is computed using a straight-line method over the estimated useful lives of the assets, which is principally five to thirty-five years. Capital asset acquisitions that equal or exceed \$5,000 are capitalized. The cost of maintenance and repairs is charged against income as incurred, while significant renewals and betterments are capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset</u>	<u>Years</u>
Buildings	35
Facilities Improvements	20
Equipment	5

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is an estimated amount based on the amount accumulated at the balance sheet date that would be paid upon retirement. The liability for sick leave is reflected within noncurrent liabilities while vacation leave is included in accounts payable and accrued expenses. The calculation is based on the salary rates in effect as of the date of the statements of net position.

Unearned Revenues

Unearned revenues include advance greens fees for the golf course, which are based upon a percentage allocation of the total days the course expects to operate. In addition, unearned revenues are recorded for mooring permits for the harbors and tidal waters and are based on the expiration date of the permit. Rental income received in advance is also classified as unearned revenues.

Net Pension Liability

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 New Hampshire Retirement System ("NHRS") and additions to/deductions from the NHRS's fiduciary net position have been determined on the same basis as they are reported by the NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is presented in the following categories:

- *Net investment in capital assets* represents capital assets, net of long and short-term debt that relates to the purchase of those assets.
- *Restricted for specific purpose* represents amounts that are expendable but whose use is subject to an externally imposed restriction.
- *Unrestricted* represents the remaining balance of net position after the above net position categories have been determined.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. PDA's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

2. *Summary of Significant Accounting Policies (concluded)*

Revenue Recognition

Income from rental of facilities is recognized over the term of the lease net of provisions for uncollectible accounts. Various other revenues are recorded when earned which is generally when the related services are performed.

Operating and Nonoperating Income and Expenses

PDA distinguishes between operating revenues and expenses from nonoperating items in the preparation of its financial statements. PDA's principal operating revenues result from charges to tenants for the lease or license of property, providing services, and delivering goods.

Operating expenses for PDA include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating income and expenses.

Contributed Capital and Grants

Federal grants, received on a reimbursement basis, are recorded as contributed capital when the related expenditures are capital related. Non-capital related grants are recognized as grant revenue on the statements of revenues, expenses and changes in net position as other miscellaneous revenues.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. *Cash and Cash Equivalents*

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, PDA's deposits may not be returned to it. State Statute RSA 12-G: 8 (XIII) empowers PDA to invest and reinvest its funds and take and hold property as security for the payment of funds so invested. PDA's investment policy is more restrictive than applicable New Hampshire law in that it restricts investments to the following: New Hampshire public deposit investment pool, federal agency securities, repurchase agreements, commercial paper, money market funds, and certificates of deposit. PDA's policy does not explicitly address custodial credit risk.

As of June 30, 2017 and 2016, substantially all of PDA's cash and equivalents were insured by the Federal Deposit Insurance Corporation and the Depositors Insurance Fund. At June 30, 2017, there were no uncollateralized funds. At June 30, 2016, cash and cash equivalents of \$30,706 were collateralized by a Stand-by Letter of Credit at the Federal Home Loan Bank of Cleveland Pittsburgh Branch.

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

4. Current Accounts Receivable - Net

Current accounts receivable - net was represented by the following at June 30:

	2017	2016
Intergovernmental	\$ 787,000	\$ 66,138
Tenants	541,695	529,608
Allowance for Doubtful Accounts	(5,000)	(7,000)
	\$ 1,323,695	\$ 588,746

5. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents was represented by the following at June 30:

	2017	2016
Harbor Dredging and Pier Maintenance	\$ 537,469	\$ 473,958
Revolving Loan Fishery Fund	111,299	77,625
Foreign Trade Zone	46,634	45,557
	\$ 695,402	\$ 597,140

6. Restricted Accounts Receivable - Net

Restricted accounts receivable was represented by the following at June 30:

	2017	2016
Revolving Loan Fishery Fund		
Due Within One Year	\$ 131,618	\$ 130,940
Due in More Than One Year	941,271	953,863
Tenants	3,616	7,912
	\$ 1,076,505	\$ 1,092,715

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

7. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<i>Balance July 1, 2016</i>	<i>Additions</i>	<i>Disposals</i>	<i>Transfers</i>	<i>Balance June 30, 2017</i>
Land	\$ 7,520,786	\$ -	\$ -	\$ -	\$ 7,520,786
Buildings and Facilities Improvements	139,271,835	-	-	2,055,535	141,327,370
Equipment	13,695,931	-	-	223,096	13,919,027
Construction in Process	<u>534,076</u>	<u>3,057,777</u>	<u>-</u>	<u>(2,288,081)</u>	<u>1,303,772</u>
	161,022,628	3,057,777	-	(9,450)	164,070,955
Less Accumulated Depreciation	(92,434,341)	(5,965,138)	-	-	(98,399,479)
Total Capital Assets	\$ 68,588,287	\$ (2,907,361)	\$ -	\$ (9,450)	\$ 65,671,476

Capital asset activity for the year ended June 30, 2016 was as follows:

	<i>Balance July 1, 2015</i>	<i>Additions</i>	<i>Disposals</i>	<i>Transfers</i>	<i>Balance June 30, 2016</i>
Land	\$ 7,520,786	\$ -	\$ -	\$ -	\$ 7,520,786
Buildings and Facilities Improvements	128,141,885	-	-	11,129,950	139,271,835
Equipment	13,286,576	-	-	409,355	13,695,931
Construction in Process	<u>10,606,490</u>	<u>1,480,827</u>	<u>-</u>	<u>(11,553,241)</u>	<u>534,076</u>
	159,555,737	1,480,827	-	(13,936)	161,022,628
Less Accumulated Depreciation	(86,323,766)	(6,110,575)	-	-	(92,434,341)
Total Capital Assets	\$ 73,231,971	\$ (4,629,748)	\$ -	\$ (13,936)	\$ 68,588,287

PEASE DEVELOPMENT AUTHORITY
(A Component Unit of the State of New Hampshire)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

8. Unearned Revenues

Unearned revenues (which are recognized when cash, receivables or other assets are recorded prior to their being earned) consisted of the following at June 30:

	2017	2016
Mooring Permits	\$ 248,113	\$ 238,520
Golf Course Membership Fees	217,613	209,405
All Other	233,072	149,094
	\$ 698,798	\$ 597,019

Mooring permits and golf course membership fees are collected primarily during the months of January through March and amortized ratably over the corresponding seasons.

9. Revolving Line of Credit Facility

PDA currently has a \$5,000,000 unsecured Revolving Line of Credit Facility ("RLOC") secured through The Provident Bank, which matures December 31, 2017. The terms of the RLOC provide that a) the loan shall bear interest at a per annum rate equal to the thirty (30) day Federal Home Loan Bank (Boston) plus 250 basis points; and b) PDA shall maintain various covenants that are to be reported on periodically. As of June 30, 2017 and 2016, the interest rate was 3.72% and 3.11%, respectively. The proceeds of any draw on the RLOC are to be used for general working capital purposes of PDA. The following table reflects a complete reconciliation of the RLOC for the years ended June 30:

	2017	2016
Amount Outstanding at Beginning of Year	\$ -	\$ 2,750,000
Drawdowns		- 1,000,000
Repayments		- (3,750,000)
Amount Outstanding at End of Year	\$ -	\$ -

10. Due to City of Portsmouth – Waste Water Treatment Facility

In December 2000, the State Water Pollution Control Revolving Fund program's debt outstanding of \$6,444,630 was assigned to COP. A supplemental loan agreement was entered into between the State Water Pollution Control Revolving Fund program and COP in order to finance the construction of the wastewater treatment plant upgrade. In conjunction with the assignment of the debt to COP, a similar portion of the leasehold improvement for the wastewater treatment facility was also transferred to COP. PDA agreed to pay an amount totaling \$2,307,064 to COP. Annual payments plus interest at 4.50% are payable through 2020. Amounts totaling \$348,870 and \$465,159 were outstanding at June 30, 2017 and 2016, respectively. Debt service requirements at June 30, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 116,290	\$ 15,573	\$ 131,863
2019	116,290	10,382	126,672
2020	116,290	5,192	121,482
	\$ 348,870	\$ 31,147	\$ 380,017

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

11. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<i>Balance July 1, 2016</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2017</i>	<i>Due in One Year</i>
Net Pension Liability	\$ 4,255,991	\$ 1,233,986	\$ -	\$ 5,489,977	\$ -
City of Portsmouth - Waste Water Treatment Facility	465,159	-	(116,289)	348,870	116,290
Compensated Absences- Net	109,140	-	(3,668)	105,472	-
	\$ 4,830,290	\$ 1,233,986	\$ (119,957)	\$ 5,944,319	\$ 116,290

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<i>Balance July 1, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30, 2016</i>	<i>Due in One Year</i>
Net Pension Liability	\$ 3,687,154	\$ 568,837	\$ -	\$ 4,255,991	\$ -
City of Portsmouth - Waste Water Treatment Facility	581,448	-	(116,289)	465,159	116,290
Compensated Absences- Net	111,244	-	(2,104)	109,140	-
Advance from Tenant	13,054	-	(13,054)	-	-
	\$ 4,392,900	\$ 568,837	\$ (131,447)	\$ 4,830,290	\$ 116,290

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

12. Rental of Facilities

PDA has leasing arrangements with various parties for the rental of land, buildings, and airplane hangars. Rentals are generally based upon set rental fees with additional payments based upon gallons of fuel sold or dispensed, ramp parking fees per aircraft, and concession fees based upon a stated percentage of car rentals. Lease arrangements are primarily for periods ranging from one to forty-nine years. These leases meet the criteria for classification as operating leases. PDA-DPH has leases, licenses, and other arrangements with various parties for the use of land, warehouse, and storage facilities.

At June 30, 2017, the projected minimum future revenue from noncancelable rental agreements is approximately:

<i>Year</i>	<i>Amount</i>
2018	\$ 9,136,000
2019	8,284,000
2020	8,135,000
2021	7,727,000
2022	6,967,000
Thereafter	77,298,000
	<hr/> \$ 117,547,000 <hr/>

13. Municipal Service Fees

Effective July 1, 1998, PDA entered into an amended municipal services agreement with COP and the Town of Newington to provide various municipal services, including police, fire, and public works at the Tradeport. This agreement specifies that PDA, through its tenant's payments, shall pay COP a fee for the cost of services equal to the amount that would have been paid annually as *ad valorem* taxes excluding any school tax component in respect to such property within the Airport District. COP is responsible for service costs owed to the Town of Newington. This agreement excludes, as part of the allocated area, the space occupied by PDA and any space for public use in the PSM Terminal. The agreement includes completed facilities other than PDA's golf course or airport terminals within the Airport District operated by PDA for public or other use. This agreement shall continue to be in force until one of the parties terminates the agreement in writing.

Any tenant located outside the Airport District, unless otherwise exempt from taxation, shall pay to COP a payment in lieu of taxes in accordance with the provisions of the New Hampshire law.

14. Airport Joint Use Agreement

The Department of the Air Force and PDA are parties to an Airport Joint Use Agreement ("Agreement") regarding the required use of the airport facilities at the Tradeport by the New Hampshire Air National Guard as well as for other occasional government aircraft. Subject to the terms and conditions of the Agreement, the federal government has the use of the airport facilities in common with other users of the airport together with all necessary and conventional rights of ingress and egress to and from the related facilities located at the airport.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

14. Airport Joint Use Agreement (concluded)

The federal government is responsible for the functions detailed in the Agreement, including, but not limited to, the following: air traffic control services, aircraft fire protection and crash rescue. PDA is responsible for certain services and functions, including, but not limited to, the following: maintenance of certain facilities, utilities, and other related services in connection with maintaining an airport facility in accordance with Federal Aviation Administration requirements. The current Agreement is effective through September 30, 2018.

15. Risk Management

PDA is exposed to various risks of loss at the Tradeport and DAW related to torts; theft of, damage to and destruction of assets; and natural disaster for which the PDA carries insurance.

PDA has a comprehensive airport liability insurance policy that will provide coverage generally up to \$25,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Other insurance coverage includes automotive, crime, employment practices, fire, general liability, pollution, theft, and workers' compensation. There have been no significant changes in insurance coverage during the past fiscal year. Settlements did not exceed coverage amounts during fiscal years 2017 and 2016.

In addition to purchasing insurance coverages, PDA maintains a risk transfer program. The PDA's agreements and leases include requirements to provide insurance coverage and coverage provisions, which include: 1) naming PDA as an additional insured; 2) naming PDA as loss payee on property coverage; 3) a waiver of subrogation; and 4) providing that such coverages be primary and non-contributing with respect to coverage PDA maintains.

16. Defined Benefit Pension Plan

Plan Description

PDA participates in the NHRS, which, as governed by RSA 100-A, is a cost-sharing multiple-employer contributory public employee defined benefit pension plan qualified under section 401(a) of the Internal Revenue Code ("Code") and funded through a trust, which is exempt from tax under Code section 501(a). NHRS is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. NHRS retired members receive a lifetime pension. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible to participate in NHRS. RSA 100-A specifies the benefit terms provided to the members of NHRS.

Although benefits are funded by member contributions, employer contributions and trust fund assets, NHRS computes benefits on the basis of members' Average Final Compensation ("AFC") and years of creditable service. Unlike a defined contribution plan, NHRS benefits provided to members are not dependent upon the amount of contributions paid into NHRS or the investment return on trust assets.

To qualify for a normal service retirement, members must have attained the age of 60 years old. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 65. The member may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service. The allowance shall be reduced based on a formula, for each month by which the date on which benefits commence precedes the month after which the member attains 65 years of age, by $\frac{1}{4}$ of one percent.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

16. Defined Benefit Pension Plan (continued)

Plan Description (concluded)

For members retiring prior to the age of 65, the yearly pension amount is 1.67% of AFC, multiplied by years of creditable service. For members retiring at 65 or older, the yearly pension amount is 1.52% of AFC, multiplied by years of creditable service. For members vested prior to January 1, 2012, AFC is based on the highest three years of creditable service. For members not vested prior to January 1, 2012, or hired on or after July 1, 2011, AFC is based on a member's highest five years of creditable service. At age 65, the yearly pension amount is recalculated with an appropriate graduated reduction based on years and months of creditable service that the member has at the time of retirement.

Contributions Required and Made

The Retirement Plan is financed by contributions from the members, PDA, and investment earnings. Contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the Retirement Plan's actuary. By statute, the Board of Trustees of NHRS is responsible for the certification of employer and member contribution rates.

Commencing July 1, 2011, all Group I employees are responsible to accrue contributions at 7.00% while Group II (Police) employees accrue contributions at a rate of 11.55%. In terms of the employer share of contributions made to the Retirement Plan, the pension contribution rate for Group I employees was 10.86% for the two-year period ending June 30, 2017. Effective July 1, 2017, the employer share was increased to 11.08% and will remain fixed through June 30, 2019. For Group II employees, effective July 1, 2015, the contribution rate increased from 21.45% to 22.54% and remained fixed through June 30, 2017. Effective July 1, 2017, the contribution rate increased to 25.33% and will remain fixed through June 30, 2019.

For the years ended June 30, 2017 and 2016, contributions to NHRS were \$413,003 and \$417,908, respectively.

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

At June 30, 2017, PDA reported a liability of \$5,489,977 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2015 and a measurement date of June 30, 2016. The net pension liability was rolled forward from June 30, 2015 to June 30, 2016. PDA's proportion of the net pension liability was based on a projection of the PDA's long-term share of contributions to NHRS relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2016, PDA's proportion of the net pension liability was 0.1032%.

At June 30, 2016, PDA reported a liability of \$4,255,991 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2014 and a measurement date of June 30, 2015. The net pension liability was rolled forward from June 30, 2014 to June 30, 2015. PDA's proportion of the net pension liability was based on a projection of PDA's long-term share of contributions to NHRS relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2015, PDA's proportion of the net pension liability was 0.1074%.

For the years ended June 30, 2017 and 2016, PDA recognized pension expense of \$703,122 and \$358,598, respectively.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016**

16. Defined Benefit Pension Plan (continued)

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

At June 30, 2017, PDA 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
Net differences between project and actual investment earnings on pension plan investments	\$ 343,481	\$ -
Changes in assumptions	675,642	-
Differences between expected and actual experience	15,257	69,325
Changes in proportion and differences between employer contributions and share of contributions	274,832	139,813
Contributions subsequent to the measurement date	413,003	-
Balances as of June 30, 2017	\$ 1,722,215	\$ 209,138

At June 30, 2016, PDA 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
Net differences between projected and actual investment earnings on pension plan investments	\$ -	\$ 113,746
Changes in proportion and differences between employer contributions and share of contributions	358,441	93,393
Contributions subsequent to the measurement date	417,908	-
Balances as of June 30, 2016	\$ 776,349	\$ 207,139

Amounts reported as deferred outflows related to pensions resulting from PDA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2018	\$ 238,720
2019	238,720
2020	358,218
2021	254,272
2022	10,144
	\$ 1,100,074

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

16. Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions, which apply to 2016 measurements:

Actuarial cost method	Entry-Age Normal
Amortization method	Level Percentage-of-Payroll, closed
Remaining amortization period	23 years beginning July 1, 2016 (30 years beginning July 1, 2009)
Investment Rate of Return	7.25% net of investment expenses, including inflation
Salary Rate Increase	5.60% average, including inflation
Price Inflation	2.50%

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

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

Long-Term Rates of Return

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

16. Defined Benefit Pension Plan (continued)

Long-Term Rates of Return

Following is a table present target allocations and the geometric real rates of return for each asset class:

<i>Asset Class</i>	<i>Target Allocation 2016</i>	<i>Target Allocation 2015</i>	Weighted Average Long-Term Expected Real Rate of Return	
			2016	2015
Large Cap Equities	22.50%	22.50%	4.25%	3.00%
Small/Mid Cap Equities	<u>7.50</u>	<u>7.50</u>	4.50	3.00
Total Domestic Equity	<u>30.00</u>	<u>30.00</u>		
International Equities (Unhedged)	13.00	13.00	4.75	4.00
Emerging International Equities	<u>7.00</u>	<u>7.00</u>	6.25	6.00
Total International Equity	<u>20.00</u>	<u>20.00</u>		
Core Bonds	5.00	4.50	0.64	(0.70)
Short Duration	2.00	2.50	(0.25)	(1.00)
Global Multi-Sector Fixed Income	11.00	11.00	1.71	0.28
Absolute Return Fixed Income	<u>7.00</u>	<u>7.00</u>	1.08	0.16
Total Fixed Income	<u>25.00</u>	<u>25.00</u>		
Private Equity	5.00	5.00	6.25	5.50
Private Debt	5.00	5.00	4.75	4.50
Opportunistic	<u>5.00</u>	<u>5.00</u>	3.68	2.75
	<u>15.00</u>	<u>15.00</u>		
Real Estate	<u>10.00</u>	<u>10.00</u>	3.25	3.50
Total	100.00%	100.00%		

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016**

16. Defined Benefit Pension Plan (concluded)

Sensitivity Analysis

The following presents PDA's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what PDA's proportionate share of the pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PDA's proportionate share of the net pension liability	\$ 7,054,246	\$ 5,489,977	\$ 4,192,663

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS annual report available from NHRS' website at <https://www.nhrs.org>.

The pension plan's fiduciary net position has been determined on the same basis used by NHRS. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Changes in Assumption for Purposes of Contributions Rates

On July 1, 2016, the Board of Trustees of NHRS announced a change to adopt revised actuarial assumptions based on the results of a five-year experience study conducted by the retirement systems consulting actuary. Included in these changes will be the lowering of the assumed rate of return from 7.75% to 7.25%. This rate will be used in September to set employer contribution rates for fiscal years 2018 and 2019.

17. Other Post-Employment Benefits

In addition to providing pension benefits, NHRS administers four cost-sharing multiple-employer defined postemployment medical subsidiary healthcare plans designated in statute by membership type. The four plans 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 Plans". RSA 21-I: 30 specifies that the State provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care and surgical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of State service in order to qualify for health coverage benefits. These and similar benefits for active employees are authorized by RSA 21-I: 30 and provided through the Employee and Retiree Benefit Risk Management Fund (the "Fund"), which is the State's self-insurance fund implemented in October 2003 for active State employees and retirees.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

17. Other Post-Employment Benefits (concluded)

The State Legislature has indicated it plans to only partially fund (on a pay-as-you-go basis) the annual required contribution ("ARC"), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Plan members are not required to contribute to the OPEB Plans. PDA makes annual contributions to the OPEB Plans equal to the amount required by RSA 100-a:52, which was 1.64% of covered compensation during the year ended June 30, 2017 and 2016. Effective July 1, 2017 the annual contribution rate was decreased to 1.07% and will remain fixed through June 30, 2019. PDA's contributions to NHRS for the OPEB Plans for the years ended June 30, 2017 and 2016 were \$55,132 and \$55,827, respectively, which were equal to its ARC.

Detailed information about the OPEB Plans' fiduciary net position is available in the separately issued NHRS annual report available from NHRS' website at <https://www.nhrs.org>.

GASB Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reported for all OPEB with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement will be effective for PDA beginning with its year ending June 30, 2018. Management has not currently determined what impact the implementation of this Statement will have on the financial statements.

18. Commitments and Contingencies

Subsurface Investigation

During site subsurface investigations conducted at the Market Street Terminal (performed, in part, to support storm water system improvements), the PDA-DPH's environmental consultant found several areas of subsurface soils contaminated with significant levels of the heavy metal mercury. Initial investigations reveal that this contamination is most likely associated with a commercial wood preservation process that was located on a portion of the site and probably operated on the site sometime after 1875 and terminated operations before the State acquired title to the property in the 1960's and prior to July 1, 2001 when PDA-DPH operations were transferred from the State to the PDA. The completed study has been submitted to the New Hampshire Department of Environmental Services and management is awaiting its review and comment. As of June 30, 2017, no liability has been recorded for future pollution remediation obligations.

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NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
June 30, 2017 and 2016

18. *Commitments and Contingencies (concluded)*

Grant Administration

PDA receives federal grants, which are subject to review and audit by the grantor agencies. Although these audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursements would not have a material effect on the financial statements.

Construction Contracts

PDA had commitments under construction contracts associated with federal grants totaling approximately \$4,431,000 and \$881,000 at June 30, 2017 and 2016, respectively.

Litigation

From time to time, PDA is involved in pending or threatened lawsuits encountered in the normal course of business. Management of PDA believes that the ultimate outcome of these matters, to the extent not covered by insurance, will not have a material impact on PDA's financial position or operations.

Potential Liability

In September 2016, PDA received notice of the Conservation Law Foundation's (CLF) intent to sue under the Citizen Suit Provisions of the Clean Water Act (CWA) and the Resource Conservation and Recovery Act (RCRA), respectively. The CWA notice alleges that PDA is illegally discharging storm water from the Pease International Tradeport into the waters of the United States without a National Pollutant Discharge Elimination System permit. The RCRA Notice includes allegations relative to the storage and disposal of perfluorooctanoic acid and perfluorooctanesulfonic acid and contamination to the surface water and ground water. On November 10, 2016, CLF filed a Complaint for Declaratory and Injunction Relief and Civil Penalties in the United States District Court for the District of New Hampshire (Case 1:16-CV-00493) in the CWA matter. No filing has been made in the RCRA matter. On February 8, 2017, PDA filed a Motion to Dismiss the CWA action because the State is immune from suit under the Eleventh Amendment to the U.S. Constitution, because CLF does not have standing to bring its claim and because the complaint does not state viable CWA claims. Management believes there is presently insufficient information to express any opinion as to the likely outcome of these matters or to otherwise determine their financial impact, if any.

19. *Subsequent Event*

Revolving Line of Credit

On August 10, 2017, PDA's Board of Directors approved a Loan Modification Agreement with The Provident Bank to extend the \$5,000,000 RLOC through December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Collective Net Pension Liability

	JUNE 30,			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer Proportion of the Collective Net Pension Liability	0.1032%	0.1074%	0.0982%	0.0967%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 5,489,977	\$ 4,255,991	\$ 3,687,154	\$ 4,163,828
Employer's Covered-Employee Payroll	\$ 3,848,000	\$ 3,430,000	\$ 3,029,000	\$ 2,843,000
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered-Employee Payroll	142.7%	124.1%	121.7%	146.5%
Plan Fiduciary Net Position as a % of the Total Pension Liability	58.30%	65.47%	66.32%	59.81%

Schedule is intended to show 10 years. Additional years will be added as they become available.

Schedule of Employer Contributions

	JUNE 30,				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Required Employer Contribution	\$ 413,003	\$ 417,908	\$ 360,425	\$ 318,681	\$ 241,055
Actual Employer Contributions	\$ 413,003	\$ 417,908	\$ 360,425	\$ 318,681	\$ 241,055
Excess/(Deficiency) of Employer Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll	\$ 3,803,000	\$ 3,848,000	\$ 3,430,000	\$ 3,029,000	\$ 2,843,000
Employer Contribution as a % of the Employer's Covered-Employee Payroll	10.86%	10.86%	10.51%	10.52%	8.48%

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REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

Notes to the Required Supplementary Information

Valuation Date: June 30, 2009 for determining the Fiscal Year 2013 contributions
June 30, 2011 for determining the Fiscal Year 2014 contributions
June 30, 2013 for determining the Fiscal Year 2015 contributions
June 30, 2014 for determining the Fiscal Year 2016 contributions
June 30, 2015 for determining the Net Pension Liability

Notes: The roll-forward of total pension liability from June 30, 2015 to June 30, 2016 reflects expected service cost and interest reduced by actual benefit payments.

Actuarial determined contribution rates for the 2012-2013 biennium were determined based on the June 30, 2009 actuarial valuation.

Actuarial determined contribution rates for the 2014-2015 biennium were determined based on the June 30, 2011 actuarial valuation.

Actuarial determined contribution rates for the 2016-2017 biennium were determined based on the June 30, 2013 actuarial valuation.

Actuarial determined contribution rates for the 2018-2019 biennium were determined based on the June 30, 2015 actuarial valuation.