

# **Pease Development Authority**

(A Component Unit of the State of New Hampshire)

## Financial Statements, Management's Discussion and Analysis, and Supplementary Information

*Years Ended June 30, 2020 and 2019  
With Independent Auditor's Report*



# FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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

**BOARD OF DIRECTORS**

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Kevin H. Smith, 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

Erik Anderson  
Appointed by the City of Portsmouth

Margaret F. Lamson  
Appointed by the Town of Newington

Neil Levesque  
Appointed by the New Hampshire Senate President

Steve Fournier  
Appointed by Strafford County Legislative Delegation

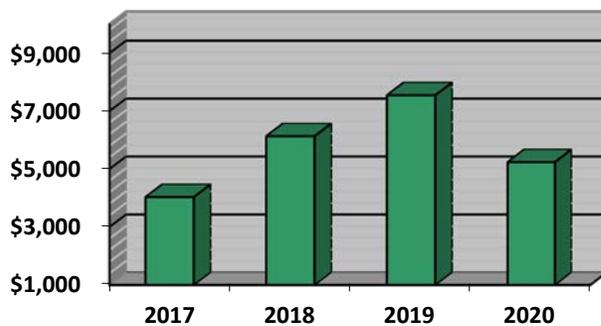
Paul E. Brean  
Executive Director and Secretary  
Hired by the Pease Development Authority Board of Directors



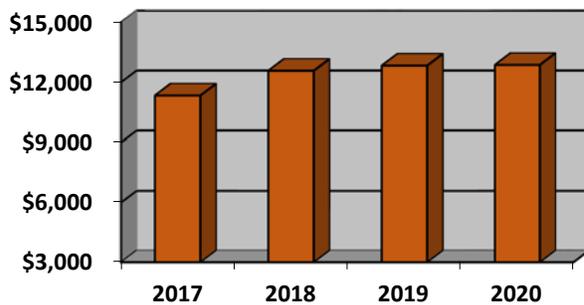
**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit of the State of New Hampshire)**  
**FINANCIAL HIGHLIGHTS (UNAUDITED)**  
(\$ in Thousands)

	2016	2017	2018	2019	2020
<b>Consolidated Revenues</b>					
Tradeport	\$ 8,028	\$ 8,264	\$ 8,361	\$ 8,723	\$ 9,319
Ports and Harbors	2,474	2,495	2,702	2,869	3,360
Golf Course	2,420	2,472	2,693	2,672	2,492
Aviation	1,237	1,237	1,267	2,006	1,838
<b>Total</b>	<b>\$ 14,159</b>	<b>\$ 14,468</b>	<b>\$ 15,023</b>	<b>\$ 16,270</b>	<b>\$ 17,009</b>

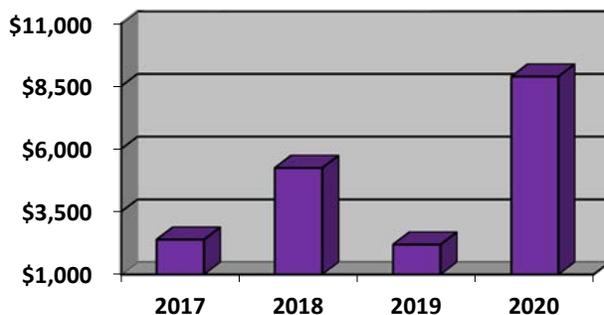
**UNRESTRICTED CASH AND CASH EQUIVALENTS**



**OPERATING EXPENSES (EXCLUDING DEPRECIATION)**



**CONTRIBUTED CAPITAL**



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

June 30	Amount
2016	\$ 465
2017	349
2018	233
2019	116
2020	-

- Capital assets excluding accumulated depreciation, primarily due to third party grant funding and renovations to the Portsmouth International Airport, Portsmouth Tradeport and Skyhaven Airport have continued to increase during the past several fiscal years:

June 30	Amount
2016	\$ 161,023
2017	164,071
2018	170,623
2019	173,770
2020	189,692

- Net cash provided by operating activities has stabilized during the past several fiscal years.

June 30	Amount
2016	\$ 4,221
2017	3,382
2018	3,189
2019	3,182
2020	4,113

## 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 the business-type activities of Pease Development Authority (PDA), a component unit of the State of New Hampshire, as of and for the years ended June 30, 2020 and 2019, 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 opinions 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 the business-type activities of PDA as of June 30, 2020 and 2019, 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.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 5 to 15 and the required supplementary information on pages 48 to 56 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 basic 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 basic financial statements. The financial highlights section has not been subjected to the auditing procedures applied in the audits of the basic 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 15, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PDA's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Bangor, Maine  
October 15, 2020

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

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

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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, 2020, 2019 and 2018.

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. For governmental entities, an 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, 2020 and 2019.

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 Unit of the State of New Hampshire)**

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

**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 2020 to 2019**

**Changes in Current Assets**

(\$ in Thousands)	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Cash and Cash Equivalents	\$ 5,238	\$ 7,549	\$ (2,311)	(30.6)
Accounts Receivable - Net	8,942	1,184	7,758	655.2
Other Current Assets	503	586	(83)	(14.2)
Total Current Assets	<u>\$ 14,683</u>	<u>\$ 9,319</u>	<u>\$ 5,364</u>	<u>57.6</u>

PDA's current assets increased by \$5.4 million, or 57.6%, primarily due to the increase in 1) accounts receivable associated with grant related construction activities at Portsmouth International Airport (PSM) including the terminal expansion and runway renovations and 2) relief funding under the Coronavirus Aid, Relief and Economic Security Act. Offsetting this increase in accounts receivable was a \$2.3 million decrease in cash which went to support capital construction projects at both PSM and non-grant related projects. Accounts receivable included an allowance for doubtful accounts of approximately 0.1% and 0.5% of total accounts receivable at June 30, 2020 and 2019, respectively.

**Comparison of 2019 to 2018**

**Changes in Current Assets**

(\$ in Thousands)	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Cash and Cash Equivalents	\$ 7,549	\$ 6,134	\$ 1,415	23.1
Accounts Receivable - Net	1,184	2,058	(874)	(42.5)
Other Current Assets	586	500	86	17.2
Total Current Assets	<u>\$ 9,319</u>	<u>\$ 8,692</u>	<u>\$ 627</u>	<u>7.2</u>

PDA's current assets increased by \$627 thousand, or 7.2%, primarily due to the increases in cash and cash equivalents, which were offset by a decrease in 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 primarily in support of the planned terminal expansion at Portsmouth International Airport (PSM). Accounts receivable included an allowance for doubtful accounts of approximately 0.5% and 0.2% of total accounts receivable at June 30, 2019 and 2018, respectively.

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit 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 2020 to 2019**

**Changes in Restricted Assets**

(\$ in Thousands)	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Cash and Cash Equivalents	\$ 447	\$ 579	\$ (132)	(22.8)
Revolving Loan Fishery Fund Receivable	1,011	1,012	(1)	(0.1)
Accounts Receivable Other - Net	4	5	(1)	(20.0)
Total Restricted Assets	<u>\$ 1,462</u>	<u>\$ 1,596</u>	<u>\$ (134)</u>	<u>(8.4)</u>

Total restricted assets decreased by approximately \$134 thousand or 8.4%, primarily due to use of authorized funding from the Capital Budget Overview Committee from the Harbor Dredging and Pier Maintenance Fund to support various repairs and renovations associated with the Division of Ports and Harbors (DPH) operations at the Hampton Harbor, Rye Harbor and the Portsmouth Fish Pier. Total assets associated with the Revolving Loan Fishery Fund had a composite valuation of approximately \$1.2 million at June 30, 2020 and 2019. There were 22 individual loans outstanding at June 30, 2020 and 2019.

**Comparison of 2019 to 2018**

**Changes in Restricted Assets**

(\$ in Thousands)	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Cash and Cash Equivalents	\$ 579	\$ 489	\$ 90	18.4
Revolving Loan Fishery Fund Receivable	1,012	1,151	(139)	(12.1)
Accounts Receivable Other - Net	5	2	3	150.0
Total Restricted Assets	<u>\$ 1,596</u>	<u>\$ 1,642</u>	<u>\$ (46)</u>	<u>(2.8)</u>

Total restricted assets decreased by approximately \$46 thousand, or 2.8%, primarily due to the decrease in loans receivable balances associated with 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, 2019 and 2018. There were 22 individual loans outstanding at June 30, 2019 and 26 individual loans outstanding at June 30, 2018. Offsetting this decrease was the authorized funding provided by the Harbor Dredging and Pier Maintenance Fund to support various repairs and renovations associated with the Division of Ports and Harbors (DPH) operations at the Hampton Harbor, Rye Harbor and the Portsmouth Fish Pier.

**PEASE DEVELOPMENT AUTHORITY**  
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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 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 2020 to 2019**

**Changes in Capital Assets**

(\$ in Thousands)				
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Land	\$ 7,521	\$ 7,521	\$ -	-
Facilities Improvements	151,239	147,438	3,801	2.6
Equipment	15,465	15,491	(26)	(0.2)
Construction in Process	<u>15,467</u>	<u>3,320</u>	<u>12,147</u>	<u>365.9</u>
Gross Capital Assets	189,692	173,770	15,922	9.2
Accumulated Depreciation	<u>(114,160)</u>	<u>(109,203)</u>	<u>4,957</u>	<u>4.5</u>
Total Capital Assets	<u>\$ 75,552</u>	<u>\$ 64,567</u>	<u>\$ 10,965</u>	<u>17.0</u>

PDA's capital acquisitions totaled approximately \$16.1 million in 2020 primarily in support of either federal or state funded projects. The more significant capital projects included runway reconstruction and terminal expansion activities at PSM. Additional funds were expended in support of equipment needs and various infrastructure improvements at the DPH, including the functional replacement of the Barge Dock. Approximately \$10.0 million of the total capital expenditures were either grant funded or supported by the State for purposes of PDA-DPH.

PDA had commitments under construction contracts associated with federal grants totaling approximately \$23.6 million and \$32.8 million at June 30, 2020 and 2019, respectively. The more significant commitments under construction contracts at June 30, 2020 included \$16.9 million for the PSM Runway Reconstruction project, \$2.1 million for the PSM Terminal Expansion and \$3.7 million for the DPH Functional Replacement of the Barge Dock.

**Comparison of 2019 to 2018**

**Changes in Capital Assets**

(\$ in Thousands)				
	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Land	\$ 7,521	\$ 7,521	\$ -	-
Facilities Improvements	147,438	146,365	1,073	0.7
Equipment	15,491	14,710	781	5.3
Construction in Process	<u>3,320</u>	<u>2,027</u>	<u>1,293</u>	<u>63.8</u>
Gross Capital Assets	173,770	170,623	3,147	1.8
Accumulated Depreciation	<u>(109,203)</u>	<u>(103,567)</u>	<u>(5,636)</u>	<u>(5.4)</u>
Total Capital Assets	<u>\$ 64,567</u>	<u>\$ 67,056</u>	<u>\$ (2,489)</u>	<u>(3.7)</u>

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit 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 \$3.1 million in 2019 primarily in support of either federal or state funded projects. The more significant capital projects included runway reconstruction and terminal expansion activities at PSM. Additional funds were expended in support of equipment needs and various infrastructure improvements at the DPH including the functional replacement of the Barge Dock. Approximately \$1.6 million of the total capital expenditures were either grant funded or supported by the State for purposes of PDA-DPH.

PDA had commitments under construction contracts associated with federal grants totaling approximately \$32.8 million and \$2.4 million at June 30, 2019 and 2018, respectively. The more significant commitments under construction contracts at June 30, 2019 included \$24.3 million for the PSM Runway Reconstruction project, \$4.1 million for the PSM Terminal Expansion and \$3.9 million for the DPH Functional Replacement of the Barge Dock.

**Long-Term Liabilities**

**Comparison of 2020 to 2019**

**Changes in Long-Term Liabilities**

(\$ in Thousands)				
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Other Postemployment Benefits	\$ 5,630	\$ 7,292	(1,662)	(22.8)
Net Pension Liability	4,198	4,384	(186)	(4.2)
Retiree Health Benefit Program	182	273	(91)	(33.3)
State of New Hampshire Account Payable	252	252	-	-
Compensated Absences – Net	<u>100</u>	<u>95</u>	<u>5</u>	<u>5.3</u>
Total Long-Term Liabilities	\$ <u>10,362</u>	\$ <u>12,296</u>	\$ <u>(1,934)</u>	<u>15.7</u>

The PDA decreased its total noncurrent liabilities outstanding during the fiscal year by approximately \$1.9 million, or 15.7%. The more significant decreases were associated with the changes in the Net Other Postemployment Benefits and Net Pension Liability. The retirement system realized a 5.7% return on investments in the fiscal year ended June 30, 2019. The three-year, five-year and 10-year investment returns for the periods ended June 30, 2019 were 9.3%, 6.4% and 9.9%, respectively. The retirement system's assumed rate of investment return is 7.25%.

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

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

**Long-Term Liabilities (concluded)**

**Comparison of 2019 to 2018**

**Changes in Long-Term Liabilities**

(\$ in Thousands)				
	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Other Postemployment Benefits	\$ 7,292	\$ 8,239	\$ (947)	(11.5)
Net Pension Liability	4,384	4,986	(602)	(12.1)
Retiree Health Benefit Program	273	364	(91)	(25.0)
State of New Hampshire Account Payable	252	252	-	-
Compensated Absences – Net	95	96	(1)	(1.0)
City of Portsmouth - Waste Water Treatment Facility	-	116	(116)	(100.0)
Total Long-Term Liabilities	\$ 12,296	\$ 14,053	\$ (1,757)	(12.5)

The PDA decreased its total noncurrent liabilities outstanding during the fiscal year by approximately \$1.8 million, or 12.5%. The more significant decreases were associated with the changes in the Net Pension Liability and Other Postemployment Benefits which was reflective of the overall 8.9% investment performance return on plan assets which was greater than the targeted performance benchmark of 7.25%. During the fiscal year, a total of \$116 thousand 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 2019 fiscal year, PDA's overall cost of capital was 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 2020 to 2019**

**Statements of Net Position**

(\$ in Thousands)				
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Current Assets	\$ 14,683	\$ 9,319	\$ 5,364	57.6
Restricted Assets	1,462	1,596	(134)	(8.4)
Capital Assets	75,532	64,567	10,965	17.0
Total Assets	91,677	75,482	16,195	21.5
Deferred Outflows of Resources	1,250	1,564	(314)	(20.1)
Current Liabilities	10,612	3,309	7,303	220.7
Noncurrent Liabilities	10,362	12,296	(1,934)	(15.7)
Total Liabilities	20,974	15,605	5,369	34.4
Deferred Inflows of Resources	4,089	3,221	868	26.9
Net Investment in Capital Assets	67,847	63,931	3,916	6.1
Restricted Net Position	1,225	1,342	(117)	(8.7)
Unrestricted Net Position	(1,208)	(7,054)	5,846	82.9
Total Net Position	\$ 67,864	\$ 58,219	\$ 9,645	16.6

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

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

***Net Position (concluded)***

PDA's total assets increased \$16.2 million, or 21.5%, primarily due to the increase in capital assets which reflects depreciation expense being less than additions to construction in process. Restricted assets are primarily represented by the Revolving Loan Fishery Fund, which had an approximate value of \$1.2 million at June 30, 2020 and 2019.

The \$5.4 million, or 34.4%, increase in total liabilities was primarily due to increases in payables associated with capital construction activities. Offsetting this increase were decreases in the Net Pension Liability and Other Postemployment Benefits. During the fiscal year, the Net Pension Liability was reduced by \$186 thousand while Other Postemployment Benefits were reduced by \$1.7 million, with both reductions associated with the investment returns of plan assets being in excess of targeted benchmarks and changes to assumptions.

***Comparison of 2019 to 2018***

**Statements of Net Position**

(\$ in Thousands)	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Current Assets	\$ 9,319	\$ 8,692	\$ 627	7.2
Restricted Assets	1,596	1,642	(46)	(2.8)
Capital Assets	<u>64,567</u>	<u>67,056</u>	<u>(2,489)</u>	<u>(3.7)</u>
Total Assets	<u>75,482</u>	<u>77,390</u>	<u>(1,908)</u>	<u>(2.5)</u>
Deferred Outflows of Resources	<u>1,564</u>	<u>1,753</u>	<u>(189)</u>	<u>(10.8)</u>
Current Liabilities	3,309	4,904	(1,595)	(32.5)
Noncurrent Liabilities	<u>12,296</u>	<u>14,053</u>	<u>(1,757)</u>	<u>(12.5)</u>
Total Liabilities	<u>15,605</u>	<u>18,957</u>	<u>(3,352)</u>	<u>(17.7)</u>
Deferred Inflows of Resources	<u>3,221</u>	<u>2,612</u>	<u>609</u>	<u>23.3</u>
Net Investment in Capital Assets	63,931	64,400	(469)	(0.7)
Restricted Net Position	1,342	1,388	(46)	(3.3)
Unrestricted Net Position	<u>(7,054)</u>	<u>(8,213)</u>	<u>1,159</u>	<u>14.1</u>
Total Net Position	<u>\$ 58,219</u>	<u>\$ 57,575</u>	<u>\$ 644</u>	<u>1.1</u>

PDA's total assets decreased \$1.9 million, or 2.5%, primarily due to the decrease in capital assets which reflects depreciation expense being greater than additions to construction in process. Restricted assets are primarily represented by the Revolving Loan Fishery Fund, which had an approximate value of \$1.2 million at June 30, 2019 and 2018.

The \$3.4 million, or 17.7%, decrease in total liabilities was primarily due to decreases in the Net Pension Liability, Other Postemployment Benefits and Accounts Payable for Capital Assets. During the fiscal year, the Net Pension Liability was reduced by \$602 thousand while Other Postemployment Benefits were reduced by \$0.9 million, with both reductions associated with the investment returns of plan assets being in excess of targeted benchmarks and changes to assumptions.

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

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

***Change in Net Position***

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

***Comparison of 2020 to 2019***

**Statements of Revenues, Expenses and Changes in Net Position**

(\$ in Thousands)				
	June 30, 2020	June 30, 2019	\$ Increase (Decrease)	% Increase (Decrease)
Operating Revenue				
Rental of Facilities	\$ 10,535	\$ 9,792	\$ 743	7.6
Fee Revenues	4,299	4,261	38	0.9
Fuel Sales	423	879	(456)	(51.9)
Concession and Other Miscellaneous	<u>1,752</u>	<u>1,338</u>	<u>414</u>	<u>30.9</u>
Total Operating Revenues	<u>17,009</u>	<u>16,270</u>	<u>739</u>	<u>4.5</u>
Operating Expenses				
Personnel Services and Benefits	7,083	6,243	840	13.5
Depreciation	5,112	5,636	(524)	(9.3)
Building and Facilities Maintenance	2,738	1,660	1,078	64.9
Professional Services	600	1,658	(1,058)	(63.8)
Other	<u>2,375</u>	<u>2,669</u>	<u>(294)</u>	<u>(11.0)</u>
Total Operating Expenses	<u>17,908</u>	<u>17,866</u>	<u>42</u>	<u>0.2</u>
Operating Loss	(899)	(1,596)	697	43.7
Nonoperating Income (Expense)				
Coronavirus Aid, Relief and Economic Security Act	1,515	-	1,515	100.0
Gain on Disposition of Assets	79	-	79	100.0
Interest Expense	(3)	(8)	5	62.5
Interest Income	<u>69</u>	<u>57</u>	<u>12</u>	<u>21.1</u>
Net Nonoperating Income	<u>1,660</u>	<u>49</u>	<u>1,611</u>	<u>3,287.8</u>
Gain(Loss) Before Contributed Capital	761	(1,547)	2,308	149.2
Contributed Capital	<u>8,884</u>	<u>2,191</u>	<u>6,693</u>	<u>305.5</u>
Change in Net Position	9,645	644	9,001	1,397.7
Net Position at Beginning of Year	<u>58,219</u>	<u>57,575</u>	<u>644</u>	<u>1.1</u>
Net Position at End of Year	\$ <u>67,864</u>	\$ <u>58,219</u>	\$ <u>9,645</u>	<u>16.6</u>

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

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

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***Change in Net Position (continued)***

***Comparison of 2020 to 2019 (concluded)***

Total operating revenues increased by \$739 thousand, or 4.5%. Although facilities rentals increased by 7.6%, those gains were offset due to lost fuel sales as a result of the construction repairs at Portsmouth Harbor. In addition, the impact of Coronavirus (COVID-19) reduced PSM fuel flowage fees and pay for parking revenues. To a lesser extent additional increases were associated with registrations and wharfage and dockage activities at DPH.

Total operating expenses increased by approximately \$42 thousand, or 0.2%. The net change in operating expenses was primarily comprised of two components. Building and facilities maintenance costs increased, primarily due to harbor dredging activities, which were offset by decreases in professional services associated with a litigation settlement with the Conservation Law Foundation that occurred in the prior fiscal year.

Net non-operating income increased by approximately \$1.6 million primarily due relief funding under the Coronavirus Aid, Relief and Economic Security Act. During the year, PDA did not have to secure any external borrowings to offset capital expenditures or the need for increased working capital levels. The ongoing reduction in interest expense is reflective of PDA's current ability to internally fund capital project related activities.

The increase in contributed capital of \$6.7 million, or 305.5%, reflects increased grant related construction projects at PSM and the DAW during the current fiscal year. During the year ended June 30, 2020, a total of \$16.1 million was spent on the purchase of capital assets of which approximately \$10.0 million were either grant funded or supported by the State for purposes of PDA-DPH.

***Economic Outlook***

Due to the COVID-19 global pandemic, certain fiscal year 2020 operating revenues and expenses associated with the PDA operations were negatively impacted. Lower revenue examples, particularly due to reduced airline traffic, include fuel flowage fees and pay for parking revenues. Expenses were impacted for the purchase of materials and supplies including cleaning disinfection, hand sanitizers, gloves, masks, disposal wipes and related PPG equipment. In total the overall financial impact to the PDA this fiscal year was relatively immaterial. However at present there is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications to our operations and or any additional governmental actions to mitigate them.

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit 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)***

***Comparison of 2019 to 2018***

**Statements of Revenues, Expenses and Changes in Net Position**

(\$ in Thousands)				
	June 30, 2019	June 30, 2018	\$ Increase (Decrease)	% Increase (Decrease)
Operating Revenue				
Rental of Facilities	\$ 9,792	\$ 9,468	\$ 324	3.4
Fee Revenues	4,261	3,327	934	28.1
Fuel Sales	879	838	41	4.9
Concession and Other Miscellaneous	<u>1,338</u>	<u>1,390</u>	<u>(52)</u>	<u>(3.7)</u>
Total Operating Revenues	<u>16,270</u>	<u>15,023</u>	<u>1,247</u>	<u>8.3</u>
Operating Expenses				
Personnel Services and Benefits	6,243	7,502	(1,259)	(16.8)
Depreciation	5,636	5,836	(200)	(3.4)
Building and Facilities Maintenance	1,660	1,623	37	2.3
Professional Services	1,658	834	824	98.8
Other	<u>2,669</u>	<u>2,617</u>	<u>52</u>	<u>2.0</u>
Total Operating Expenses	<u>17,866</u>	<u>18,412</u>	<u>(546)</u>	<u>(3.0)</u>
Operating Loss	(1,596)	(3,389)	1,793	52.9
Nonoperating Income (Expense)				
Loss on Disposition of Assets	-	(29)	29	100.0
Interest Expense	(8)	(13)	5	(38.5)
Interest Income	<u>57</u>	<u>23</u>	<u>34</u>	<u>147.8</u>
Net Non-operating Income (Expense)	<u>49</u>	<u>(19)</u>	<u>68</u>	<u>357.9</u>
Loss Before Contributed Capital	(1,547)	(3,408)	1,861	54.6
Contributed Capital	<u>2,191</u>	<u>5,244</u>	<u>(3,053)</u>	<u>(58.2)</u>
Change in Net Position	644	1,836	(1,192)	(64.9)
Net Position at Beginning of Year, as Previously stated	57,575	65,600	(8,025)	(12.2)
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>(9,861)</u>	<u>9,861</u>	<u>100.0</u>
Net Position at the Beginning of the Year, as Restated	<u>57,575</u>	<u>55,739</u>	<u>1,836</u>	<u>3.3</u>
Net Position at End of Year	<u>\$ 58,219</u>	<u>\$ 57,575</u>	<u>\$ 644</u>	<u>1.1</u>

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

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

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***Change in Net Position (concluded)***

***Comparison of 2019 to 2018 (concluded)***

Total operating revenues increased by \$1.2 million, or 8.3%, primarily due to the adoption of pay for parking and fuel flowage fees at PSM. Additional increases were associated with registrations and wharfage and dockage activities at DPH as well as facility rentals at the International Tradeport.

Total operating expenses decreased by approximately \$0.5 million, or 3.0%. The net change in operating expenses was primarily comprised of \$1.3 million in reduced personnel services and benefits due to lower pension and postemployment costs, which were offset by \$0.8 million in a litigation settlement with the Conservation Law Foundation.

Net non-operating expense decreased by approximately \$68 thousand due to interest income increases associated with increases in cash and cash equivalents. In addition, the PDA did not have to secure any external borrowings to offset capital expenditures or the need for increased working capital levels. The ongoing reduction in interest expenses is reflective of PDA's ability to internally fund capital project related activities.

The decrease in contributed capital of \$3.1 million, or 58.2%, reflects decreased grant related construction projects at PSM and the DAW during the fiscal year 2019. During the year ended June 30, 2019, a total of \$3.1 million was spent on the purchase of capital assets of which approximately \$1.6 million were either grant funded or supported by the State for purposes of 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 Paul E. Brean, Executive Director, at 55 International Drive Portsmouth, NH 03801 via email at [p.brean@peasedev.org](mailto:p.brean@peasedev.org) or by telephone at 603.433.6088. Visit the PDA website at: [www.peasedev.org](http://www.peasedev.org).

Other members of the PDA's Leadership Team, effective July 1, 2020, include:

Lynn Hinchee  
General Counsel

Captain Geno Marconi  
Director- Division of Ports and Harbors

Anthony Blenkinsop  
Deputy General Counsel

Greg Siegenthaler  
Director of Information Technology

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

Maria Stowell, P.E.  
Engineering Manager

Tanya Coppeta  
Employee Relations Manager

Scott DeVito  
Golf Course General Manager

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**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit of the State of New Hampshire)**  
**STATEMENTS OF NET POSITION**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,237,836	\$ 7,548,974
Accounts and Grants Receivable - Net	8,942,292	1,183,811
Other Current Assets	502,452	586,287
Total Current Assets	<u>14,682,580</u>	<u>9,319,072</u>
Restricted Assets:		
Cash and Cash Equivalents	446,969	579,004
Loans and Accounts Receivable - Net	1,015,030	1,016,689
Total Restricted Assets	<u>1,461,999</u>	<u>1,595,693</u>
Capital Assets	<u>75,532,293</u>	<u>64,567,106</u>
<b>Total Assets</b>	<u>91,676,872</u>	<u>75,481,871</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	558,601	677,926
Pension	691,375	885,913
<b>Total Deferred Outflows of Resources</b>	<u>1,249,976</u>	<u>1,563,839</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	2,214,175	2,099,945
Accounts Payable for Capital Assets	7,684,817	519,725
Unearned Revenues	713,480	573,312
Current Portion of Noncurrent Liabilities	-	116,290
Total Current Liabilities	<u>10,612,472</u>	<u>3,309,272</u>
Noncurrent Liabilities:		
Other Postemployment Benefits	5,630,108	7,291,881
Net Pension Liability	4,197,804	4,384,392
Other Noncurrent Liabilities	533,610	619,865
Total Noncurrent Liabilities	<u>10,361,522</u>	<u>12,296,138</u>
<b>Total Liabilities</b>	<u>20,973,994</u>	<u>15,605,410</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	3,484,546	2,593,514
Pension	604,714	627,495
<b>Total Deferred Inflows of Resources</b>	<u>4,089,260</u>	<u>3,221,009</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	67,847,476	63,931,091
Restricted For:		
Revolving Loan Fishery Fund	1,217,830	1,203,959
Harbor Dredging and Pier Maintenance	-	133,695
Foreign Trade Zone	6,768	4,307
Unrestricted	(1,208,480)	(7,053,761)
<b>Total Net Position</b>	<u>\$ 67,863,594</u>	<u>\$ 58,219,291</u>

*See accompanying notes to financial statements.*

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit of the State of New Hampshire)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
Rental of Facilities	\$ 10,534,983	\$ 9,792,325
Fee Revenues:		
Golf Course Operations	1,968,036	2,056,393
Mooring, Dockage, Pier Usage and Boat Registrations	1,651,599	1,396,540
All Other	<u>679,004</u>	<u>807,666</u>
Total Fee Revenues	<u>4,298,639</u>	<u>4,260,599</u>
Fuel Sales	423,284	878,918
Concession and Other Miscellaneous	<u>1,752,318</u>	<u>1,338,341</u>
Total Operating Revenues	<u>17,009,224</u>	<u>16,270,183</u>
<b>Operating Expenses</b>		
Personnel Services and Benefits	7,083,369	6,243,243
Depreciation	5,112,337	5,635,999
Building and Facilities Maintenance	2,737,729	1,660,233
General and Administrative	895,526	785,076
Utilities	773,362	738,461
Professional Services	600,044	1,657,838
All Other	<u>706,054</u>	<u>1,145,335</u>
Total Operating Expenses	<u>17,908,421</u>	<u>17,866,185</u>
<b>Operating Loss</b>	<u>(899,197)</u>	<u>(1,596,002)</u>
<b>Nonoperating Income (Expense)</b>		
Coronavirus Aid, Relief, and Economic Security Act	\$ 1,514,684	\$ -
Interest Income	68,654	57,587
Interest Expense	(2,830)	(8,021)
Gain on Disposition of Capital Assets	<u>79,260</u>	<u>-</u>
Net Nonoperating Income	<u>1,659,768</u>	<u>49,566</u>
Gain / (Loss) Before Contributed Capital	760,571	(1,546,436)
Contributed Capital	<u>8,883,732</u>	<u>2,190,991</u>
Change in Net Position	9,644,303	644,555
Net Position at Beginning of Year	<u>58,219,291</u>	<u>57,574,736</u>
<b>Net Position at End of Year</b>	<u>\$ 67,863,594</u>	<u>\$ 58,219,291</u>

*See accompanying notes to financial statements.*

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit of the State of New Hampshire)**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Customers	\$ 17,463,980	\$ 17,117,760
Cash Payments to Personnel for Services and Benefits	(7,749,616)	(6,807,861)
Cash Payments to Suppliers of Goods and Services	(5,600,905)	(7,128,379)
	<u>4,113,459</u>	<u>3,181,520</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Contributed Capital Received	2,327,006	3,440,678
Acquisition of Capital Assets	(8,938,064)	(5,050,399)
Proceeds from the Sale of Capital Assets	104,892	-
Interest Paid on Capital Debt	(2,830)	(8,021)
Repayment of Long-Term Liabilities	(116,290)	(116,290)
Net Cash Used by Capital and Related Financing Activities	<u>(6,625,286)</u>	<u>(1,734,032)</u>
<b>Cash Flows From Investing Activities</b>		
Interest Income Received	68,654	57,587
(Decrease) / Increase in Cash and Cash Equivalents	(2,443,173)	1,505,075
Cash and Cash Equivalents - Beginning of Year	<u>8,127,978</u>	<u>6,622,903</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 5,684,805</u></u>	<u><u>\$ 8,127,978</u></u>

*See accompanying notes to financial statements.*

**PEASE DEVELOPMENT AUTHORITY**  
**(A Component Unit of the State of New Hampshire)**  
**STATEMENTS OF CASH FLOWS (CONCLUDED)**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</b>		
<b>Operating Loss</b>	\$ (899,197)	\$ (1,596,002)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</b>		
Depreciation	5,112,337	5,635,999
Compensated Absences - Net	4,669	(830)
Changes in Operating Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources:		
Accounts Receivable	314,588	(238,848)
Other Assets	83,835	(86,355)
Deferred Outflows of Resources - OPEB	119,325	(80,612)
Deferred Outflows of Resources - Pension	194,538	269,832
Accounts Payable and Accrued Expenses	114,230	507,478
Unearned Revenues	140,168	(107,679)
Retiree Health Benefit Program	(90,924)	(181,847)
Other Postemployment Benefits (OPEB)	(1,661,773)	(946,836)
Net Pension Liability	(186,588)	(602,008)
Deferred Inflows of Resources - OPEB	891,032	279,054
Deferred Inflows of Resources - Pension	(22,781)	330,174
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 4,113,459</u>	<u>\$ 3,181,520</u>
<b>Reconciliation of Noncash Activity:</b>		
Contributed Capital Income	\$ 8,883,732	\$ 2,190,991
Less: Grants Receivable as of End of Year	(6,810,455)	(253,729)
Add: Grants Receivable as of Prior Year End	253,729	1,503,416
Add: Accounts Receivable as of Prior Year End	<u>\$ 2,327,006</u>	<u>\$ 3,440,678</u>
Acquisition of Capital Assets	\$ 16,103,156	\$ 3,146,877
Less: Accounts Payable and Accrued Expenses as of End of Year	(7,684,817)	(519,725)
Add: Payments on Short-Term Trade Accounts to Finance Acquisitions of Capital Assets	519,725	2,423,247
Payments for the Acquisition of Capital Assets	<u>\$ 8,938,064</u>	<u>\$ 5,050,399</u>

*See accompanying notes to financial statements.*

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020 and 2019**

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**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 non-lapsing 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, 2020 and 2019**

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**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.

Loans and Accounts Receivable

Loans and 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, 2020 and 2019**

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**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 has been determined on the same basis as it is reported by the NHRS.

Other Postemployment Benefits

For the purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits ("OPEB"), and OPEB expense, information about the fiduciary net position of the NHRS OPEB Plan and the State of New Hampshire OPEB Plan ("the State OPEB Plan") has been determined on the same basis as they are reported by NHRS and the State OPEB Plan.

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, 2020 and 2019**

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**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.

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 consist of funds from the Coronavirus Aid, Relief, and Economic Security Act and are recognized as on the statements of revenues, expenses and changes in net position as other nonoperating income.

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. Revised Statue Annotated (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, 2020 and 2019, substantially all of PDA's cash and equivalents were insured by the Federal Deposit Insurance Corporation and the Depositors Insurance Fund.

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**4. Current Accounts and Grants Receivable - Net**

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

	<b>2020</b>	<b>2019</b>
Intergovernmental	\$ 8,325,139	\$ 253,729
Tenants and Other	623,653	936,582
Allowance for Doubtful Accounts	(6,500)	(6,500)
	<b>\$ 8,942,292</b>	<b>\$ 1,183,811</b>

**5. Other Current Assets**

Other current assets was represented by the following at June 30:

	<b>2020</b>	<b>2019</b>
Inventories	\$ 307,232	\$ 410,260
Prepaid Insurance	148,133	143,930
All Other	47,087	32,097
	<b>\$ 502,452</b>	<b>\$ 586,287</b>

**6. Restricted Cash and Cash Equivalents**

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

	<b>2020</b>	<b>2019</b>
Harbor Dredging and Pier Maintenance	\$ 233,443	\$ 379,084
Revolving Loan Fishery Fund	206,758	195,613
Foreign Trade Zone	6,768	4,307
	<b>\$ 446,969</b>	<b>\$ 579,004</b>

**7. Restricted Loans and Accounts Receivable**

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

	<b>2020</b>	<b>2019</b>
Revolving Loan Fishery Fund		
Due Within One Year	\$ 81,576	\$ 155,736
Due in More Than One Year	929,755	856,648
Tenants	3,699	4,305
	<b>\$ 1,015,030</b>	<b>\$ 1,016,689</b>

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**8. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Land	\$ 7,520,786	\$ -	\$ -	\$ -	\$ 7,520,786
Buildings and Facilities Improvements	147,437,778	-	(115,740)	3,917,129	151,239,167
Equipment	15,491,506	-	(181,059)	155,092	15,465,539
Construction in Process	<u>3,320,353</u>	<u>16,218,897</u>	<u>-</u>	<u>(4,072,221)</u>	<u>15,467,029</u>
	173,770,423	16,218,897	(296,799)	-	189,692,521
Less Accumulated Depreciation	(109,203,317)	(5,112,337)	155,426	-	(114,160,228)
	<u>\$ 64,567,106</u>	<u>\$ 11,106,560</u>	<u>\$ (141,373)</u>	<u>\$ -</u>	<u>\$ 75,532,293</u>

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Land	\$ 7,520,786	\$ -	\$ -	\$ -	\$ 7,520,786
Buildings and Facilities Improvements	146,365,495	-	-	1,072,283	147,437,778
Equipment	14,710,627	-	-	780,879	15,491,506
Construction in Process	<u>2,026,638</u>	<u>3,146,877</u>	<u>-</u>	<u>(1,853,162)</u>	<u>3,320,353</u>
	170,623,546	3,146,877	-	-	173,770,423
Less Accumulated Depreciation	(103,567,318)	(5,635,999)	-	-	(109,203,317)
	<u>\$ 67,056,228</u>	<u>\$ (2,489,122)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,567,106</u>

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**9. 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:

	<b>2020</b>	<b>2019</b>
Mooring Permits	\$ 309,205	\$ 257,935
Golf Course Membership Fees	277,033	235,794
All Other	127,242	79,583
	<b>\$ 713,480</b>	<b>\$ 573,312</b>

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

**10. Revolving Line of Credit Facility**

PDA currently has a \$15,000,000 unsecured Revolving Line of Credit Facility ("RLOC") secured through The Provident Bank, which matures December 31, 2022. 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 rate plus 250 basis points; and b) PDA shall maintain various covenants that are to be reported on an annual basis. The proceeds of any draw on the RLOC are to be used for general working capital purposes of PDA and cash flow needs for capital projects. There were no amounts outstanding on this RLOC as of June 30, 2020 and 2019.

**11. Due to City of Portsmouth – Waste Water Treatment Facility**

In December 2000, the State Water Pollution Control Revolving Fund program's debt outstanding of \$6,586,836 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 \$2,457,002 to COP. Annual payments plus interest at 4.464% are payable through 2020. As of June 30, 2020, the liability has been paid in full. Amounts totaling \$116,290 were outstanding at June 30, 2019.

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**12. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due in One Year
Other Postemployment Benefits	\$ 7,291,881	\$ -	\$ (1,661,773)	\$ 5,630,108	\$ -
Net Pension Liability	4,384,392	-	(186,588)	4,197,804	-
Retiree Health Benefit Program	272,772	-	(90,924)	181,848	-
State of New Hampshire Account Payable	252,250	-	-	252,250	-
City of Portsmouth - Waste Water Treatment Facility	116,290	-	(116,290)	-	-
Compensated Absences-Net	94,843	4,669	-	99,512	-
	\$ 12,412,428	\$ 4,669	\$ (2,055,575)	\$ 10,361,522	\$ -

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due in One Year
Other Postemployment Benefits	\$ 8,238,717	-	\$ (946,836)	\$ 7,291,881	\$ -
Net Pension Liability	4,986,400	-	(602,008)	4,384,392	-
Retiree Health Benefit Program	454,619	-	(181,847)	272,772	-
State of New Hampshire Account Payable	252,250	-	-	252,250	-
City of Portsmouth - Waste Water Treatment Facility	232,580	-	(116,290)	116,290	116,290
Compensated Absences-Net	95,673	-	(830)	94,843	-
	\$ 14,260,239	\$ -	\$ (1,847,811)	\$ 12,412,428	\$ 116,290

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**13. Other Noncurrent Liabilities**

Other noncurrent liabilities were represented by the following at June 30:

	2020	2019
Retiree Health Benefit Program	\$ 181,848	\$ 272,772
State of New Hampshire – Account Payable	252,250	252,250
Compensated Absences – Net	99,512	94,843
	<b>\$ 533,610</b>	<b>\$ 619,865</b>

**14. 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-two 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, 2020, the projected minimum future revenue from noncancelable rental agreements is approximately:

Year	Amount
2021	\$ 10,257,000
2022	9,141,000
2023	8,199,000
2024	7,695,000
2025	7,122,000
Thereafter	77,877,000
	<b>\$ 120,291,000</b>

**15. 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019**

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**16. 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.

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, which expired on September 30, 2018, is currently under review by both parties.

**17. 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 \$50,000,000 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. Settlements did not exceed coverage amounts during fiscal years 2020 and 2019.

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.

**18. 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2020 and 2019**

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**18. Defined Benefit Pension Plan (continued)**

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.

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 administers the plan and 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 11.08% for the two-year period ending June 30, 2019. Effective July 1, 2019, the employer share was decreased to 10.88% and will remain fixed through June 30, 2021. For Group II employees, effective July 1, 2017, the contribution rate was 25.33% and remained fixed through June 30, 2019. Effective July 1, 2019, the contribution rate decreased to 24.77% and will remain fixed through June 30, 2021.

For the years ended June 30, 2020 and 2019, contributions to NHRS were \$489,081 and \$439,882, respectively.

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

At June 30, 2020, PDA reported a liability of \$4,197,804 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The net pension liability was rolled forward from June 30, 2018 to June 30, 2019. 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, 2019, PDA's proportion of the net pension liability was 0.0872%.

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**18. Defined Benefit Pension Plan (continued)**

At June 30, 2019, PDA reported a liability of \$4,384,392 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. The net pension liability was rolled forward from June 30, 2017 to June 30, 2018. 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, 2018, PDA's proportion of the net pension liability was 0.0911%.

For the years ended June 30, 2020 and 2019, PDA recognized pension expense of \$474,250 and \$437,862, respectively.

At June 30, 2020, 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	\$ -	\$ 90,265
Changes in assumptions	150,616	-
Differences between expected and actual experience	23,210	34,290
Changes in proportion and differences between employer contributions and share of contributions	28,468	480,159
Contributions subsequent to the measurement date	489,081	-
	\$ 691,375	\$ 604,714

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**18. Defined Benefit Pension Plan (continued)**

At June 30, 2019, 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	\$ -	\$ 101,459
Changes in assumptions	303,422	-
Differences between expected and actual experience	34,995	35,501
Changes in proportion and differences between employer contributions and share of contributions	107,614	490,535
Contributions subsequent to the measurement date	439,882	-
	\$ 885,913	\$ 627,495

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

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, 2021. 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
2021	\$ (27,206)
2022	(232,744)
2023	(122,682)
2024	(19,788)
	\$ (402,420)

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**18. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions**

The collective total pension liability at June 30, 2020 was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, which apply to 2018 measurements:

Actuarial cost method	Entry-Age Normal
Amortization method	Level Percentage-of-Payroll, Closed
Remaining amortization period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5 Year smoothed market for funding purposes; 20% corridor
Investment Rate of Return	7.25% net of investment expenses, including inflation
Salary Rate Increase	5.60% average, including inflation
Price Inflation	2.50%
Wage Inflation	3.25%

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, 2018 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. The actuarial assumptions for contributions made in the year ending June 30, 2019 can be found in the June 30, 2017 actuarial valuation report.

**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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**18. Defined Benefit Pension Plan (continued)**

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

Asset Class	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return	
	2018	2019	2018	2019
Large Cap Equities	22.50%	22.50%	4.25%	4.25%
Small/Mid Cap Equities	<u>7.50</u>	<u>7.50</u>	4.50	4.50
Total Domestic Equity	<u>30.00</u>	<u>30.00</u>		
International Equities (Unhedged)	13.00	13.00	4.50	4.50
Emerging International Equities	<u>7.00</u>	<u>7.00</u>	6.00	6.00
Total International Equity	<u>20.00</u>	<u>20.00</u>		
Core Bonds	4.50	9.00	0.50	1.12
Short Duration	2.50	-	(0.25)	-
Global Multi-Sector Fixed Income	11.00	10.00	1.80	2.46
Absolute Return Fixed Income	<u>7.00</u>	<u>6.00</u>	1.14	1.50
Total Fixed Income	<u>25.00</u>	<u>25.00</u>		
Private Equity	5.00	10.00	6.25	7.90
Private Debt	5.00	5.00	4.25	4.86
Opportunistic	<u>5.00</u>	-	2.15	-
	<u>15.00</u>	<u>15.00</u>		
Real Estate	<u>10.00</u>	<u>10.00</u>	3.25%	3.00%
	<u>100.00%</u>	<u>100.00%</u>		

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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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**18. 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 one-percentage-point lower or one-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	\$ 5,621,033	\$ 4,197,804	\$ 3,021,517

**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 Contribution 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 was the lowering of the assumed rate of return from 7.75% to 7.25%. This rate was used to set employer contribution rates for fiscal years 2019, 2020 and 2021. On June 9, 2020, the Board of Trustees voted to reduce the retirement system's investment assumptions, lowering the assumed rate of return from 7.25% to 6.75%. By statute, this valuation will determine employer contribution rates for fiscal years 2022 and 2023.

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**19. Other Postemployment Benefits – New Hampshire Retirement System**

**Plan Description**

In addition to providing pension benefits, NHRS administers a cost-sharing multiple-employer defined postemployment medical subsidy healthcare plan designated in statute (RSA 100-A:52, RSA 100-A:52a and RSA 100-A:52-b) by membership type. The membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. The NHRS OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. For qualified retirees not eligible for Medicare the subsidy amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan. For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan. There have been no increases in the monthly maximum subsidy amounts since July 1, 2007. The plan is closed to new entrants.

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.

**Contributions Required and Made**

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.

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. For all Group I employees, effective July 1, 2017 the annual contribution rate was decreased from 1.64% to 1.07% and remained fixed through June 30, 2019. Effective July 1, 2019, the contribution rate decreased to 1.05% and will remain fixed through June 30, 2021. For Group II employees, effective July 1, 2017 the annual contribution rate was increased from 3.84% to 4.10% and remained fixed through June 30, 2019. Effective July 1, 2019, the contribution rate decreased to 3.66% and will remain fixed through June 30, 2021.

PDA's contributions to NHRS for the OPEB Plans for the years ended June 30, 2020 and 2019 were \$50,499 and \$45,758, respectively, which were equal to its ARC.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**19. Other Postemployment Benefits – New Hampshire Retirement System (continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, PDA reported a liability of \$352,220 for its proportionate share of the net OPEB liability. The net OPEB liability is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The net OPEB liability was rolled forward from June 30, 2018 to June 30, 2019. PDA's proportion of the net OPEB 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, 2019 PDA's proportion of the net OPEB liability was 0.0803%.

At June 30, 2019, PDA reported a liability of \$384,676 for its proportionate share of the net OPEB liability. The net OPEB liability is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. The net OPEB liability was rolled forward from June 30, 2017 to June 30, 2018. PDA's proportion of the net OPEB 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, 2018 PDA's proportion of the net OPEB liability was 0.0840%.

For the years ended June 30, 2020 and 2019, PDA recognized OPEB expense of \$6,802 and a credit of (\$870), respectively.

At June 30, 2020, PDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net differences between projected and actual investment earnings on OPEB plan investments	\$ -	\$ 396
Changes in proportion and differences between employer contributions and share of contributions	-	1,790
Differences between expected and actual experience	-	613
Contributions subsequent to the measurement date	50,499	-
	\$ 50,499	\$ 2,799

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**19. Other Postemployment Benefits – New Hampshire Retirement System (continued)**

At June 30, 2019, PDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between Projected and actual investment earnings on OPEB plan investments	\$ -	\$ 1,222
Changes in proportion and differences between employer contributions and share of contributions	-	10,334
Differences between expected and actual experience	2,258	\$ -
Contributions subsequent to the measurement date	45,758	-
	<b>\$ 48,016</b>	<b>\$ 11,556</b>

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 OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30</b>	<b>Amount</b>
2020	\$ (2,665)
2021	(263)
2022	27
2023	102
	<b>\$ (2,799)</b>

**Actuarial Assumptions**

The collective total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, which apply to 2018 measurements:

Actuarial cost method	Entry-Age Normal
Amortization method	Level Percentage-of-Payroll, Closed
Remaining amortization period	Not applicable, under satisfactory funding
Investment Rate of Return	7.25% net of investment expenses, including inflation
Salary Rate Increase	5.60% average, including inflation
Price Inflation	2.50% per year
Wage Inflation	3.25% per year
Healthcare cost trend rates	Not applicable, given the benefits are fixed stipends
Aging factors	Not applicable, given the benefits are fixed stipends

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**19. Other Postemployment Benefits – New Hampshire Retirement System (continued)**

Mortality rates were based on the RP-2014 healthy annuitant and 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, 2018 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. The actuarial assumptions for contributions made in the year ending June 30, 2019 can be found in the June 30, 2017 actuarial valuation report.

**Long-Term Rates of Return**

The long-term expected rate of return on OPEB 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.

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

Asset Class	Weighted Average Long-Term Expected Real Rate of Return			
	Target Allocation 2018	Target Allocation 2019	2018	2019
Large Cap Equities	22.50%	22.50%	4.25%	4.25%
Small/Mid Cap Equities	<u>7.50</u>	<u>7.50</u>	4.50	4.50
Total Domestic Equity	<u>30.00</u>	<u>30.00</u>		
International Equities (Unhedged)	13.00	13.00	4.50	4.50
Emerging International Equities	<u>7.00</u>	<u>7.00</u>	6.00	6.00
Total International Equity	<u>20.00</u>	<u>20.00</u>		
Core Bonds	4.50	9.00	0.50	1.12
Short Duration	2.50	-	(0.25)	-
Global Multi-Sector Fixed Income	11.00	10.00	1.80	2.46
Absolute Return Fixed Income	<u>7.00</u>	<u>6.00</u>	1.14	1.50
Total Fixed Income	<u>25.00</u>	<u>25.00</u>		
Private Equity	5.00	10.00	6.25	7.90
Private Debt	5.00	5.00	4.25	4.86
Opportunistic	<u>5.00</u>	<u>-</u>	2.15	-
	<u>15.00</u>	<u>15.00</u>		
Real Estate	<u>10.00</u>	<u>10.00</u>	3.25%	3.00%
	<u>100.00%</u>	<u>100.00%</u>		

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019**

**19. Other Postemployment Benefits – New Hampshire Retirement System (concluded)**

**Discount Rate**

The discount rate used to measure the total OPEB 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 under the current statute by RSA 100-A:16. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**Sensitivity Analysis**

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
PDA’s Proportionate Share of the Net OPEB Liability	\$ 382,036	\$ 352,220	\$ 326,312

**OPEB Plan Fiduciary Net Position**

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

The OPEB 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2020 and 2019**

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**20. Other Postemployment Benefits – The State of New Hampshire**

**Plan Description**

RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single-employer (primary government and component units) defined benefit plan. These benefits include group hospitalization, hospital medical care, surgical care, and other medical 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 in 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 retiree health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of State service and increasing Group I and II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund which is the State's self-insurance internal service fund. The state OPEB Plan funds the cost of medical and prescription drug claims by charging actuarially developed working rates to State agencies for participating employees, retirees, and eligible spouses. An additional major source of funding for retiree benefits is from the NHRS medical subsidy payment described in Note 19. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State administers the plan. It does not issue a separate stand-alone financial report.

**Contributions Required and Made**

The State Legislature has indicated it currently plans to only fund the plan to cover benefit payments (on a pay-as-you-go basis). PDA's contributions to the State for the OPEB Plans for the years ended June 30, 2020 and 2019 were \$111,919 and \$115,910, respectively, which were equal to PDA's share of benefit payments.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, PDA reported a liability of \$5,277,888 for its proportionate share of the State OPEB Plan liability. The OPEB liability is based on an actuarial valuation performed as of December 31, 2018 (adjusted forward using standard actuarial techniques), and a measurement date of June 30, 2019. The OPEB liability was rolled forward from December 31, 2018 to June 30, 2019. PDA's proportion of the OPEB liability was based on a projection of the PDA's long-term share of contributions to the State relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2019, PDA's proportion of the State OPEB Plan's liability was 0.2940%.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**20. Other Postemployment Benefits – The State of New Hampshire (continued)**

At June 30, 2019, PDA reported a liability of \$6,907,205 for its proportionate share of the State OPEB Plan liability. The OPEB liability is based on an actuarial valuation performed as of December 31, 2016 and a measurement date of June 30, 2018. The OPEB liability was rolled forward from December 31, 2016 to June 30, 2018. PDA's proportion of the OPEB liability was based on a projection of the PDA's long-term share of contributions to the State relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2018, PDA's proportion of the State OPEB Plan's liability was 0.3616%.

For the years ended June 30, 2020 and 2019, PDA recognized OPEB credits of \$(495,801) and \$(585,837), respectively.

At June 30, 2020, PDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 2,357,669
Differences between expected and actual experience	-	89,948
Changes in proportion and differences between employer contributions and share of contributions	396,183	1,034,130
Contributions subsequent to the measurement date	111,919	-
	<b>\$ 508,102</b>	<b>\$ 3,481,747</b>

At June 30, 2019, PDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 2,540,487
Differences between expected and actual experience	-	41,471
Changes in proportion and differences between employer contributions and share of contributions	514,000	-
Contributions subsequent to the measurement date	115,910	-
	<b>\$ 629,910</b>	<b>\$ 2,581,958</b>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**20. Other Postemployment Benefits – The State of New Hampshire (continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)**

Amounts reported as deferred outflows related to OPEB resulting from PDA contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2021	\$ (868,189)
2022	(868,189)
2023	(868,190)
2024	(480,996)
	\$ (3,085,564)

**Actuarial Assumptions**

The collective total OPEB liability was determined by a roll forward of the actuarial valuation as of December 31, 2018, using the following actuarial assumptions, which apply to 2019 measurements:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open
Remaining amortization period	30 years
Investment Rate of Return	Not applicable as there are no invested assets
Salary Rate Increase – Group I	13.25% decreasing over 9 years to an ultimate level of 3.75%
Salary Rate Increase – Group II	25.5% decreasing over 8 years to an ultimate level of 4.25%
Discount rate	3.50% as of June 30, 2019 and 3.87% as of June 30, 2018
Price Inflation	3.25% per year
Wage Inflation	3.25% per year

Health care trend rates are based on the following:

- Medical
  - Non-Medicare: 6.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
  - Medicare- (12.2%) for one year then 4.5% per year.
- Prescription Drugs
  - Non-Medicare: 8.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
  - Medicare: 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019**

**20. Other Postemployment Benefits – The State of New Hampshire (continued)**

**Actuarial Assumptions (continued):**

- Contributions
  - Contributions are expected to increase with a blended medical and prescription drug trend. Because the January 1, 2019 Non-Medicare working rates were temporarily reduced to spend down reserves, an additional adjustment was applied in the first year to bring the rates back to the unsubsidized level.

Mortality rates were based on the following:

- Pre-retirement – Healthy: RP-2014 Employee Mortality Table projected generationally for males and females with Scale MP-2015
- Postretirement:
  - Healthy: RP-2014 Healthy Annuitant Mortality Table projected generationally for males and females with Scale MP-2015
  - Disabled: RP-2014 Disabled Annuitant Mortality Table projected generationally for males and females with Scale MP-2015
- The following scale factors for each member classification are applied to all mortality tables:

	<b>Group I</b>	<b>Group II - Police</b>	<b>Group II – Fire</b>
Scale – Male	116%	99%	100%
Scale – Female	124%	106%	101%

Effective January 1, 2019, the State implemented a Medicare Advantage plan which contributed to the reduction in the overall plan liability in the year of implementation.

**Discount Rate**

Because the State OPEB Plan is not funded, the discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index (3.87% as of June 30, 2018 and 3.50% as of June 30, 2019). This determination is in accordance with GASB Statement No. 75.

**Changes in Assumptions**

Per capita health costs and administrative expenses were recalculated based on more recent data. The health cost trends were updated to better reflect experience and future expectations. The projection of the excise tax on high cost health plans beginning in 2022 was revised. The discount rate used to measure the total OPEB liability was decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019. The marriage assumption for future retirees was lowered from 75% to 70%.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2020 and 2019**

**20. Other Postemployment Benefits – The State of New Hampshire (concluded)**

**Sensitivity Analysis**

The following presents PDA's proportionate share of the net OPEB liability at June 30, 2020 calculated using the discount rate of 3.50%, as well as what PDA's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
PDA's Proportionate Share of the Net OPEB Liability	\$ 6,065,134	\$ 5,277,888	\$ 4,585,980

The following presents PDA's proportionate share of the net OPEB liability calculated using the current trend rates, as well as what PDA's proportionate share of the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
PDA's Proportionate Share of the Net OPEB Liability	\$ 4,245,806	\$ 5,277,888	\$ 6,645,241

**21. 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, 2020, no liability has been recorded for future pollution remediation obligations, as the amount of any such liability is not reasonably determinable.

**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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2020 and 2019**

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**21. Commitments and Contingencies (continued)**

**Construction Contracts**

PDA had commitments under construction contracts associated with federal grants totaling approximately \$23,666,000 and \$32,803,000 at June 30, 2020 and 2019, respectively. The more significant commitments under construction contracts at June 30, 2020 included \$16,991,000 for the PSM Runway Reconstruction project, \$3,733,000 for the DPH Functional Replacement of the Barge Dock and \$2,108,000 for the PSM Terminal Expansion.

**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.

**Settlement Agreement- Conservation Law Foundation**

On November 10, 2016, in an action brought under the Citizen Suit provision of the Clean Water Act ("CWA"), the Conservation Law Foundation ("CLF") filed a complaint in the United States District Court for the District of New Hampshire (the "court") against PDA, its Executive Director, and Board Members, alleging certain violations of the CWA's permitting requirements. The matter is captioned Conservation Law Foundation, Inc. v. Pease Development Authority, et al., Civil Action No. 1:16-cv-00493-SM. In particular, the Complaint alleged PDA failed to obtain and comply with a Small Municipal Separate Storm Sewer System (Small MS4) permit and the associated permit requirements. CLF's Complaint sought injunctive relief and civil penalties.

On January 11, 2019, the Court issued a Joint Notice of Settlement. Elements of the Settlement, which became effective March 9, 2019 (the "Effective Date"), require that the PDA shall:

1. Design and implement various measures concerning the PDA small MS4 including:
  - Submit an application for and supplementary information related to a NPDES Permit, renewal, or modification, for coverage of discharges subject to the Small MS4 permitting program;
  - Design and implement:
    - A public education and outreach program;
    - An illicit discharge detection and elimination system;
    - A construction and post-construction runoff and control programs;
    - A pollution prevention and good housekeeping program; and
  - Provide annual reporting to the CLF.

As of June 30, 2020, the application and supplementary information noted above has been submitted to the EPA for review. The Authority has completed the public outreach program and all of the other systems and programs are in process at June 30, 2020.

2. Within five years of the Effective Date, remove a minimum of five acres of Impervious Surface, as defined. As of June 30, 2020, the five acres has been removed. They continue to monitor to ensure that adequate treatment has been provided and that the total area did not increase.

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**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**  
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**21. Commitments and Contingencies (concluded)**

3. Pay to CLF \$800,000 as full and complete satisfaction of CLF's claim for attorneys' fees and costs incurred or to be incurred, including any future attorneys' fees and costs related to the implementation or monitoring of compliance with the Settlement. As of June 30, 2020, the full \$800,000 had been paid.

On October 6, 2020, the Conservation Law Foundation and the Pease Development Authority filed a Stipulation of Dismissal in the case of Conservation Law Foundation, Inc. v. Pease Development Authority, et al, case number 1:16-cv-00493-SM, in the United States District Court for the District of New Hampshire. This filing concludes the ongoing litigation between the parties concerning the permitting and handling of stormwater at the Pease Tradeport, which had been stayed during the implementation of the parties' settlement agreement reached in early 2019. The District Court entered the dismissal as a judgment on October 19, 2020.

**22. COVID-19 Considerations**

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group gatherings. Most sectors are experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

In April 2020, PDA was awarded \$1,637,474 of CARES Act funding through the Federal Aviation Administration (FAA). Under the terms of the FAA grant agreement, only expenses incurred or debt service payments made on or after January 20, 2020 are eligible for reimbursement. The CARES Act grant assurances for eligible expenses will remain in effect through May 25, 2024. At June 30, 2020, PDA had expended \$1,514,684 of the FAA CARES Act funding and this amount is in accounts and grants receivable at year end.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**Schedule of Collective Net Pension Liability**

The following information is as of June 30:

	2020	2019	2018	2017	2016	2015	2014
Employer Proportion of the Collective Net Pension Liability	0.0872%	0.0911%	0.1014%	0.1032%	0.1074%	0.0982%	0.0967%
Employer's Proportionate Share of the Collective Net Pension Liability	\$4,197,804	\$4,384,392	\$4,986,400	\$5,489,977	\$4,255,991	\$3,687,154	\$4,163,828
Employer's Covered-Employee Payroll	\$3,735,000	\$3,765,000	\$3,803,000	\$3,848,000	\$3,430,000	\$3,029,000	\$2,843,000
Employer's Proportionate Share of the Collective Net Pension Liability as a % of the Employer's Covered-Employee Payroll	112.39%	116.45%	131.12%	142.67%	124.08%	121.73%	146.45%
Plan Fiduciary Net Position as a % of the Total Pension Liability	65.59 %	64.73 %	62.266 %	58.30 %	65.47 %	66.32 %	59.81 %

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

*Information above is presented as of the measurement date for the respective reporting periods.*

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**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) (UNAUDITED)**

**Schedule of Employer Contributions**

The following information is for the years ended June 30:

	2020	2019	2018	2017	2016	2015	2014
Required Employer Contribution	\$ 489,081	\$ 439,882	\$ 452,516	\$ 413,003	\$ 417,908	\$ 360,425	\$ 318,681
Actual Employer Contributions	\$ 489,081	\$ 439,882	\$ 452,516	\$ 413,003	\$ 417,908	\$ 360,425	\$ 318,681
Excess / (Deficiency) of Employer Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll	\$3,939,015	\$3,735,000	\$3,765,000	\$3,803,000	\$3,848,000	\$3,430,000	\$3,029,000
Employer Contribution as a % of the Employer's Covered-Employee Payroll	12.42 %	11.78 %	12.02 %	10.86 %	10.86 %	10.51 %	10.52 %

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

*Information above is presented as of the Authority's fiscal year for the respective reporting periods.*

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**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) (UNAUDITED)**

**Notes to the Required Supplementary Information**

**Notes:** The roll-forward of the total pension liability from June 30, 2018 to June 30, 2019 reflects expected service and interest costs reduced by actual benefit payments.

The roll-forward of the total pension liability from June 30, 2017 to June 30, 2018 reflects expected service and interest costs reduced by actual benefit payments.

The roll-forward of the total pension liability from June 30, 2016 to June 30, 2017 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

The roll-forward of the 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.

Actuarial determined contribution rates for the 2019-2020 biennium were determined based on the June 30, 2018 actuarial valuation.

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) (UNAUDITED)**

**Schedule of Collective Net Other Postemployment Benefits (OPEB) Liability**  
**(NHRS OPEB PLAN)**

The following information is as of June 30:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Employer Proportion of the Collective Net OPEB Liability	0.0803%	0.0840%	0.0946%	0.0961%
Employer's Proportionate Share of the Collective Net OPEB Liability	\$ 352,220	\$ 384,676	\$ 432,717	\$ 465,117
Employer's Covered-Employee Payroll	\$2,369,549	\$2,311,755	\$2,523,561	\$2,499,949
Employer's Proportionate Share of the Collective Net OPEB Liability as a % of the Employer's Covered-Employee Payroll	14.86 %	16.64 %	17.15 %	18.61 %
Plan Fiduciary Net Position as a % of the Total OPEB Liability	7.75 %	7.53 %	7.91%	5.21%

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

*Information above is presented as of the measurement date for the respective reporting periods.*

**Schedule of Employer Contributions**

The following information is for the years ended June 30:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Required Employer Contribution	\$ 50,499	\$ 45,758	\$ 45,795	\$ 56,092
Actual Employer Contributions	\$ 50,499	\$ 45,758	\$ 45,795	\$ 56,092
Excess / (Deficiency) of Employer Contributions	\$ -	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll	\$2,498,980	\$2,369,549	\$2,311,755	\$ 2,523,561
Employer Contribution as a % of the Employer's Covered-Employee Payroll	2.02 %	1.93 %	1.98 %	2.22 %

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

*Information above is presented as of the Authority's fiscal year for the respective reporting periods.*

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) (UNAUDITED)**

**Notes to the Required Supplementary Information**

**Notes:** The roll-forward of the total OPEB liability from June 30, 2018 to June 30, 2019 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

The roll-forward of the total OPEB liability from June 30, 2017 to June 30, 2018 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

The roll-forward of the total OPEB liability from June 30, 2016 to June 30, 2017 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

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

**REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED) (UNAUDITED)**

**Schedule of Collective Net Other Postemployment Benefits (OPEB) Liability**  
**(STATE OPEB PLAN)**

The following information is as of June 30:

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Employer Proportion of the Collective Net OPEB Liability	0.2940%	0.3616%	0.3501%	0.3345%
Employer's Proportionate Share of the Collective Net OPEB Liability	\$5,277,888	\$6,907,205	\$7,806,000	\$9,618,388
Employer's Covered-Employee Payroll	\$3,735,000	\$3,765,000	\$3,803,000	\$3,848,000
Employer's Proportionate Share of the Collective Net OPEB Liability as a % of the Employer's Covered-Employee Payroll	141.31 %	183.46 %	205.26 %	249.96 %
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.00 %	0.00 %	0.00 %	0.00 %

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

*Information above is presented as of the measurement date for the respective reporting periods.*

**Notes to the Required Supplementary Information**

There are no assets accumulated in a trust that meets the criteria in GASB 75 paragraph 4 to pay related benefits.

**Changes of assumptions:** Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations. The discount rate decreased from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019. The discount rate increased from 2.85% as of June 30, 2017 to 3.87% as of June 30, 2018.

**Notes:** The roll-forward of the total OPEB liability from December 31, 2018 to June 30, 2019 reflects expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year.

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**INDEPENDENT AUDITOR'S 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***

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

We have audited, 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, the financial statements of the business-type activities of Pease Development Authority (PDA), a component unit of the State of New Hampshire, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise PDA's basic financial statements, and have issued our report thereon dated October 15, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PDA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PDA's internal control. Accordingly, we do not express an opinion on the effectiveness of PDA'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 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 the 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 PDA'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 financial statements. 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*.

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

**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 PDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Bangor, Maine  
October 15, 2020