PENACOOK AND BOSCAWEN WATER PRECINCT

Financial Statements

For the Year Ended December 31, 2018

and

Independent Auditor's Report

PENACOOK AND BOSCAWEN WATER PRECINCT
FINANCIAL STATEMENTS
December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Penacook and Boscawen Water Precinct

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Penacook and Boscawen Water Precinct, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Precinct'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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the business-type activities of the Penacook and Boscawen Water Precinct, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the Precinct's proportionate share of the net pension liability, and the schedule of Precinct contributions, on pages i-iii and 15-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vachon Clukay & Company PC

Manchester, New Hampshire
May 7, 2019

PENACOOK AND BOSCAWEN WATER PRECINCT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Presented herewith please find the Management Discussion & Analysis Report for the Penacook and Boscawen Water Precinct for the year ended December 31, 2018. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Precinct's financial position, including the results of operations of the Precinct. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Precinct's financial activities have been included.

The Precinct's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Precinct are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

The Penacook and Boscawen Water Precinct is an independent municipal water precinct operating in the Town of Boscawen and in the Penacook section of the City of Concord, New Hampshire. The Precinct is governed by a three-member Board of Water Commissioners, who are elected by the residents within the boundaries of the Precinct. The Precinct's primary function is to provide clean water services for residential, commercial, and mercantile entities within its boundaries. The Precinct is responsible for protecting, improving, maintaining and expanding the existing water distribution system.

FINANCIAL REPORTING

Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Precinct as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the Precinct using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the Precinct's net position and changes in them. Net position is the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources. Over time, increases or decreases in the Precinct's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the Precinct's customer base and condition of the Precinct's infrastructure.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

PENACOOK AND BOSCAWEN WATER PRECINCT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Statements of Net Position

Net position of the Penacook and Boscawen Water Precinct as of December 31, 2018 and 2017 are as follows:

	2018	2017
Capital and other assets:		
Capital assets, net	$ 2,919,888	$ 3,050,999
Other assets	737,616	588,495
Total assets	3,657,504	3,639,494
Deferred Outflows of Resources:		
Deferred outflows related to pension	2,949	13,743
Total deferred outflows of resources	2,949	13,743
Long-term and other liabilities:		
Long-term liabilities	1,234,815	1,528,761
Other liabilities	2,091	14,024
Total liabilities	1,236,906	1,542,785
Deferred Inflows of Resources:		
Deferred inflows related to pension	93,985	60,321
Total deferred inflows of resources	93,985	60,321
Net position:		
Net investment in capital assets	1,708,633	1,617,029
Unrestricted	620,929	433,102
Total net position	$ 2,329,562	$ 2,050,131

Statements of Revenues, Expenses and Changes in Net Position

Changes in net position for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Operating revenues	$ 713,770	$ 734,076
Operating expenses	433,958	509,719
Operating income (loss)	279,812	224,357
Net non-operating (expenses)	(36,982)	(42,466)
Capital contributions	36,601	36,464
Change in net position	279,431	218,355
Net position, beginning of year	2,050,131	1,831,776
Net position, end of year	$ 2,329,562	$ 2,050,131

PENACOOK AND BOSCAWEN WATER PRECINCT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

PENACOOK AND BOSCAWEN WATER PRECINCT'S ACTIVITIES

As shown in the above statements the Precinct's total net position increased by $279,431 from the previous year. The overall net position increase was due to operating revenues and capital contributions from the State of New Hampshire in excess of expenses. The revenue earned from operations was $713,770 for the year ended December 31, 2018, which represents a decrease of ($20,306) or (3%) from the year ended December 31, 2017. The decrease in operating income from the prior year was a result of water delivery to users were reduced due to a wetter summer than the prior year. Operating expenses experienced a decrease of ($75,761) or (15%) from the prior year. This was primarily a result of the Precinct having the majority of its daily operations outsourced as contracted labor to Pennichuck Water Works. Further changes to net position resulted from decreases on outstanding debt balances.

Cash Management

Cash and cash equivalents consist of cash on hand and cash deposits with financial institutions maintained by the Precinct.

Capital Assets

The capital assets of the Precinct are those assets that are used in the performance of the Precinct's functions including infrastructure assets, which consist of water distribution mains. The capital assets net decrease of ($131,111) from December 31, 2017 was due to current year depreciation expense of ($131,111). See Note 3 in the notes to the basic financial statements for a summary of the Precinct's capital asset activity.

Debt Administration

For the year ended December 31, 2018 the Precinct's long-term debt decreased by ($222,715) from the prior year as a result of scheduled payments on existing obligations, annual principal forgiveness on a bond, and current year amortization of the bond premium. The Precinct did not take on any new debt in the current year. See Note 4 in the notes to the basic financial statements for additional information on the long-term obligations of the Precinct.

Net Pension Liability

Under GASB Statement 68, the Precinct is required to report its proportional share of the New Hampshire Retirement Systems unfunded pension liability as 'Net Pension Liability' on the financial statements. See Note 5 in the notes to the basic financial statements for further information.

Contacting the Penacook and Boscawen Water Precinct

This financial report intends to provide our citizens and creditors with a general overview of the Precinct's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Commissioners at, 9 Woodbury Lane, Boscawen, NH 03303, Telephone number (603) 796-2206 or pbwp@comcast.net.

PENACOOK AND BOSCAWEN WATER PRECINCT
Statement of Net Position
December 31, 2018

	2018
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 136,610
Investments	269,425
Accounts receivable, net	202,526
Unbilled water charges	35,180
Due from other governments	93,875
Total Current Assets	737,616
Noncurrent Assets:	
Capital Assets:	
Non-depreciable capital assets	135,756
Depreciable capital assets, net	2,784,132
Total Noncurrent Assets	2,919,888
Total Assets	3,657,504
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	2,949
Total Deferred Outflows of Resources	2,949
LIABILITIES	
Current Liabilities:	
Accrued expenses	1,196
Deposits payable	895
Current portion of note payable	27,338
Current portion of bonds payable	98,863
Total Current Liabilities	128,292
Noncurrent Liabilities:	
Note payable, net of current portion	86,841
Bonds payable, net of current portion	998,213
Net pension liability	23,560
Total Noncurrent Liabilities	1,108,614
Total Liabilities	1,236,906
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	93,985
Total Deferred Inflows of Resources	93,985
NET POSITION	
Net investment in capital assets	1,708,633
Unrestricted	620,929
Total Net Position	$ 2,329,562

See accompanying notes to the basic financial statements

PENACOOK AND BOSCAWEN WATER PRECINCT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	2018
Operating revenues:	
Water charges	$ 711,924
Miscellaneous	1,846
Total operating revenues	713,770
Operating expenses:	
Cost of operations	269,903
Administration	32,944
Depreciation	131,111
Total operating expenses	433,958
Operating income	279,812
Non-operating revenues (expenses):	
Interest income	4,348
Interest expense	(42,330)
Gain on disposal of capital asset	1,000
Net non-operating revenues (expenses)	(36,982)
Income before capital contributions	242,830
Capital contributions	36,601
Change in net position	279,431
Net Position at beginning of year	2,050,131
Net Position at end of year	$ 2,329,562

See accompanying notes to the basic financial statements

PENACOOK AND BOSCAWEN WATER PRECINCT
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018
Cash flows from operating activities:	
Cash received from customers	$ 691,180
Other operating cash receipts	1,846
Cash paid to suppliers	(314,464)
Cash paid to employees	(15,156)
Net cash provided by operating activities	363,406
Cash flows from capital and related financing activities:	
Principal paid on bonds and notes	(200,543)
Interest paid on bonds and notes	(65,299)
Capital contributions	12,802
Proceeds from sale of capital assets	1,000
Net cash used for capital and related financing activities	(252,040)
Cash flows from investing activities:	
Interest on investments	82
Redemptions of investments	55,000
Transfer to trust funds held by Town of Boscawen Trustees	(5,000)
Purchase of investments	(225,000)
Net cash used for investing activities	(174,918)
Net decrease in cash and cash equivalents	(63,552)
Cash and cash equivalents at beginning of year	200,162
Cash and cash equivalents at end of year	$ 136,610
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 279,812
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	131,111
Change in deferred outflows related to pension	10,794
Change in deferred inflows related to pension	33,664
Changes in assets and liabilities:	
Accounts receivable, net	(20,216)
Unbilled water charges	(528)
Net pension liability	(71,231)
	$ 363,406
Non-cash transactions affecting financial position:	
Principal forgiveness on debt	$ 11,136
Amortization on bond premium	11,036
	$ 22,172

See accompanying notes to the basic financial statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Penacook and Boscawen Water Precinct conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Penacook and Boscawen Water Precinct (the "Precinct") was incorporated in 1891 to provide water for domestic, mercantile and industrial usage in portions of the Town of Boscawen, New Hampshire and the Penacook section of the City of Concord, New Hampshire. The Precinct is organized as a Village District (special purpose district) under the laws of the State of New Hampshire and operates under the direction of an elected Board of Commissioners.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, wherein revenues are recognized when earned and expenses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents – For the purpose of the Statement of Cash Flows, cash and cash equivalents are comprised of demand deposits and cash on hand.

Accounts Receivable – The Precinct uses the allowance method for accounts receivable, whereby, estimated bad debts are reserved in an allowance account. At December 31, 2018, accounts receivable for user fees is recorded net of an allowance for estimated uncollectible accounts of $475,664.

Due from Other Governments – Due from other governments consist of a receivable due from the State of New Hampshire under the Water Filtration Grant Program in the amount of $12,663 and the Precinct's Expendable Trust Fund held by the Town of Boscawen, New Hampshire Trustees of Trust Funds in the amount of $81,212.

Capital Assets – Capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. Improvements are capitalized; costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets is also capitalized. All reported capital assets except for land are depreciated. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

	Years
Building and structures	40
Water plant	30-50
Distribution infrastructure	20-50
Equipment	3-10

Bond Premium – Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Precinct or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Precinct's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Pension

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 NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Revenues and Expenses

Operating Revenues and Expenses – Operating revenues and expenses for the Precinct are those that result from providing services and producing and delivering goods in connection with its principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. It also includes all revenues and expenses not related to capital and related financing or investing activities.

Capital Contributions – Funds received from other governments for the purpose of constructing assets are recorded as capital contributions.

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	$ 136,610
Investments	269,425
	$ 406,035

Deposits and investments as of December 31, 2018 consist of the following:

Cash on hand	$ 100
Deposits with financial institutions	136,510
State investment pool	269,425
	$ 406,035

The Precinct requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Precinct limits its deposits and investments to demand deposits, money market accounts and certificates of deposit in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 383:22).

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Precinct does not have an investment policy for assurance against credit risk. As of December 31, 2018, Precinct investments totaling $269,425 held in the NHPDIP, a state investment pool, are rated: AAAm.

Investment in NHPDIP

The Precinct is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by State law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The Precinct's exposure to derivatives is indirect through its participation in the NHPDIP. The Precinct's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

PENACOOK AND BOSCAWEN WATER PRECINCT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018
Capital assets not being depreciated:				
Land	$ 135,756			$ 135,756
Total assets not being depreciated	135,756	$ -	$ -	135,756
Other capital assets:				
Building and structures	349,234			349,234
Water plant	4,189,666			4,189,666
Distribution infrastructure	1,072,870			1,072,870
Equipment	153,909		(59,602)	94,307
Total other capital assets	5,765,679	-	(59,602)	5,706,077
Less accumulated depreciation for:				
Building and structures	(342,579)	(831)		(343,410)
Water plant	(1,628,127)	(94,693)		(1,722,820)
Distribution infrastructure	(735,843)	(31,883)		(767,726)
Equipment	(143,887)	(3,704)	59,602	(87,989)
Total accumulated depreciation	(2,850,436)	(131,111)	59,602	(2,921,945)
Total other capital assets, net	2,915,243	(131,111)	-	2,784,132
Total capital assets, net	$ 3,050,999	$ (131,111)	$ -	$ 2,919,888

NOTE 4—LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Precinct as of December 31, 2018:

	Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Amount Due Within One Year
Bonds Payable	$ 1,222,471		$ (167,830)	$ 1,054,641	$ 98,863
Unamortized Bond Premium	53,471		(11,036)	42,435	
Total Bonds Payable	1,275,942	$ -	(178,866)	1,097,076	98,863
Note Payable	158,028		(43,849)	114,179	27,338
	$ 1,433,970	$ -	$ (222,715)	$ 1,211,255	$ 126,201

General obligation bonds are direct obligations of the Precinct, for which its full faith and credit are pledged, and are payable from charges for services earned on all properties located within Precinct boundaries.

General Obligation Bonds

Bonds payable at December 31, 2018 consist of the following individual issues:

	Original Issue Amount	Interest Rate	Final Maturity Date	Balance at 12/31/2018
2006 Drinking Water State Revolving Loan	$ 1,419,562	2.35%	December 2025	$ 584,641
2012 Water System Improvement Refunding	816,000	2.22%	February 2025	470,000
	$ 2,235,562			1,054,641
		Add: *Unamortized bond premium*		42,435
			Total Bonds Payable	$ 1,097,076

The annual debt service requirements to retire all general obligation bonds outstanding, including principal forgiveness from the State of New Hampshire to be forgiven over a period of 20 years from the start of the State Revolving Loan Debt, as of December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 98,863	$ 31,353	$ 130,216
2020	134,104	38,043	172,147
2021	139,421	32,551	171,972
2022	144,815	26,653	171,468
2023	150,289	20,521	170,810
2024-2025	320,336	19,501	339,837
Sub-total Bonds Payable	987,828	168,622	1,156,450
Add: *Unamortized bond premium*	42,435		42,435
Add: *Principal forgiveness*	66,813	-	66,813
Total Bonds Payable	$ 1,097,076	$ 168,622	$ 1,265,698

The State of New Hampshire annually reimburses the Precinct for its share of water related debt service payments. For the year ending December 31, 2018, the Precinct received annual water debt reimbursements of $25,465.

Note Payable

The note payable outstanding at December 31, 2018 consists of the following individual issue:

$335,000 New Meter Note Payable, due in quarterly installments of $10,108, including interest at 3.75%, matures January 2022. Collateralized by 1,100 Senus iPerl water meters.	$ 114,179

Debt service requirements to retire the outstanding note payable at December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	$ 27,338	$ 2,986	$ 30,324
2020	37,657	2,775	40,432
2021	39,118	1,314	40,432
2022	10,066	95	10,161
	$ 114,179	$ 7,170	$ 121,349

NOTE 5—DEFINED BENEFIT PENSION PLAN

Plan Description

The Precinct contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

Benefits Provided

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

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

Years of creditable service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Funding Policy

Plan members are required to contribute 7.0% of their covered salary and the Precinct is required to contribute at an actuarially determined rate. The Precinct's contribution rate was 11.08% through June 30, 2018. The Precinct contributes 100% of the employer cost.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Precinct did not have any contributions to the pension plan for the year ended December 31, 2018.

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

At December 31, 2018, the Precinct reported a liability of $23,560 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The Precinct's proportion of the net pension liability was based on actual contributions by the Precinct during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the Precinct's proportion was approximately 0.0005 percent, which was a decrease of 0.0014 percentage points from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Precinct recognized pension income of $26,773. At December 31, 2018, the Precinct reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 188	$ 191
Net difference between projected and actual earnings on pension plan investments		545
Change in assumptions	1,630	
Changes in proportion and differences between Precinct contributions and share of contributions	1,131	93,249
Totals	$ 2,949	$ 93,985

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of $91,036. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense for the measurement periods as follows:

June 30,	
2019	$ (27,549)
2020	(27,333)
2021	(25,553)
2022	(10,601)
	$ (91,036)

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	100%	

Discount Rate

The discount rate used to measure the collective 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

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

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
Precinct's proportionate share of the net pension liability	$ 31,347	$ 23,560	$ 17,034

Nature of Changes Between the Measurement Date of the Collective Net Pension Liability and the Precinct's Reporting Date

Effective September 2017, the Precinct no longer had full-time employees eligible to participate in the NHRS. As a result, the Precinct is expected to have a proportional share of 0% and proportionate share of the net pension liability of $0 for the measurement period ended June 30, 2019.

NOTE 6—RISK MANAGEMENT

The Precinct is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2018, the Precinct was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2018.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Precinct shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to $200,000 for each and every covered property, crime and/or liability loss that exceeds $1,000, up to an aggregate of $1,200,000. Each property loss is subject to a $1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to $2,000,000. The program includes a Loss Fund from which is paid up to $500,000 for each and every covered claim.

NOTE 7—CONTINGENT LIABILITIES

Litigation

Precinct officials estimate that any potential claims against the Precinct, which are not covered by insurance, are immaterial and would not affect the financial position of the Precinct.

SCHEDULE 1

PENACOOK AND BOSCAWEN WATER PRECINCT

Schedule of Changes in the Precinct's Proportionate Share of the Net Pension Liability

For the Year Ended December 31, 2018

Measurement Period Ended	Precinct's Proportion of the Net Pension Liability	Precinct's Proportionate Share of the Net Pension Liability	Precinct's Covered Payroll	Precinct's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	0.00048928%	$ 23,560	$ 18,665	126.23%	64.73%
June 30, 2017	0.00192743%	$ 94,791	$ 65,016	145.80%	62.66%
June 30, 2016	0.00321158%	$ 170,779	$ 105,897	161.27%	58.30%
June 30, 2015	0.00362382%	$ 143,559	$ 116,451	123.28%	65.47%
June 30, 2014	0.00352049%	$ 132,145	$ 109,399	120.79%	66.32%
June 30, 2013	0.00372589%	$ 160,354	$ 109,252	146.77%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 2

PENACOOK AND BOSCAWEN WATER PRECINCT

Schedule of Precinct Contributions

For the Year Ended December 31, 2018

Year Ended	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Precint's Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	$ 5,667	$ (5,667)	$ -	$ 51,809	10.94%
December 31, 2016	$ 8,798	$ (8,798)	$ -	$ 81,016	10.86%
December 31, 2015	$ 12,272	$ (12,272)	$ -	$ 115,266	10.65%
December 31, 2014	$ 11,599	$ (11,599)	$ -	$ 111,103	10.44%
December 31, 2013	$ 10,405	$ (10,405)	$ -	$ 109,701	9.48%

See accompanying notes to the required supplementary information

PENACOOK AND BOSCAWEN WATER PRECINCT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2018

NOTE 1—SCHEDULE OF CHANGES IN THE PRECINCT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF PRECINCT CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Precinct is required to disclose historical information for each of the prior ten years within a schedule of changes in the Precinct's proportionate share of the net pension liability, and schedule of Precinct contributions. The Precinct implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

Changes in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, decreased the salary increases from 5.8% to 5.6%, and changed the mortality table from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.