

STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
AUDITED FINANCIAL STATEMENTS FOR
THE FISCAL YEAR ENDED
JUNE 30, 2018

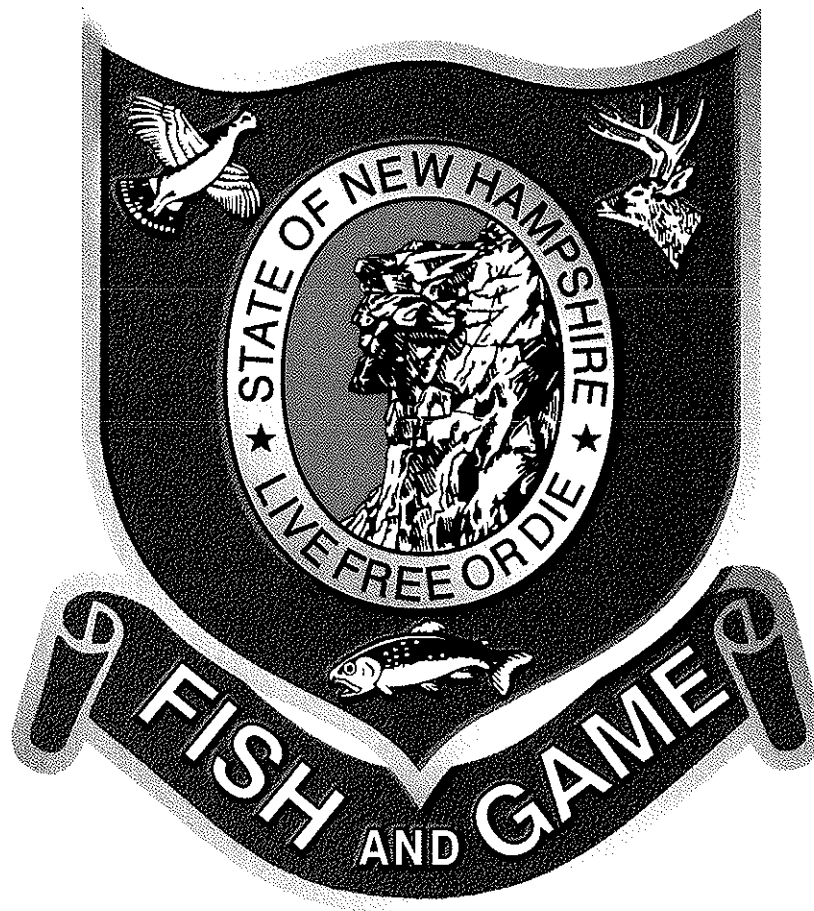


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Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report On The Financial Statements

We have audited the accompanying financial statements of the New Hampshire Fish and Game Fund which comprise the Balance Sheet as of June 30, 2018 and the related Statement of Revenues, Expenditures, and Changes in Fund Balance for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Fish and Game Fund's basic financial statements.

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 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 New Hampshire Fish and Game Fund as of June 30, 2018, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

Reporting Entity

As discussed in Note 1, the financial statements present only the New Hampshire Fish and Game Fund and do not purport to, and do not, present fairly the financial position of the State of New Hampshire, as of June 30, 2018 or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial 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.

Management has omitted the budget to actual schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary And Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the New Hampshire Fish and Game Fund's basic financial statements. The Supplemental Schedule of Revenues by Revenue Category and Account and the Supplemental Schedule of Expenditures by Character and Activity are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of Revenues by Revenue Category and Account and the Supplemental Schedule of Expenditures by Character and Activity on pages 22 through 24 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues by Revenue Category and Account and the Supplemental Schedule of Expenditures by Character and Activity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of the New Hampshire Fish and Game Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Fish and Game Fund's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

December 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The New Hampshire Fish and Game Department was established in 1865 as the Fisheries Commission. It was reorganized to its current format in 1935 in accordance with R.L. 240:1 (RSA 206:1), which states that: "There shall be a Fish and Game Department under a Commission to be known as the Fish and Game Commission." The New Hampshire Fish and Game Department is the oldest state agency.

The mission of the New Hampshire Fish and Game Department is as follows:

As the guardian of the state's fish, wildlife and marine resources, the New Hampshire Fish and Game Department works in partnership with the public to:

- Conserve, manage and protect these resources and their habitats;
- Inform and educate the public about these resources; and
- Provide the public with opportunities to use and appreciate these resources.

The following is a discussion and analysis of the financial activities of the New Hampshire Fish and Game Department (the Department) for the fiscal year ended June 30, 2018. Readers should consider the information presented here in conjunction with the Department's financial statements, which follow this section. This discussion and analysis are intended to serve as an introduction to the Department's basic financial statements.

FINANCIAL HIGHLIGHTS:

Department-Wide Highlights:

Fund Highlights: A fund is a grouping of related funds that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department's financial operations are accounted for and reported in the Fish and Game Fund, a Special Revenue Fund established in accordance with RSA 206:33. This Special Revenue Fund is a non-major governmental fund of the State of New Hampshire. The Fish and Game Fund is comprised of unrestricted and restricted sources of funds. There is an unrestricted (committed, assigned) portion of the fund and sixteen dedicated accounts within the fund, which are accounted for and reported as restricted fund balances. These sixteen dedicated accounts are established by statute for specific purposes:

- | | |
|--|------------------|
| ➤ OHRV Education, Training and Enforcement Fund | RSA 215-A:3, VII |
| ➤ Search and Rescue Fund | RSA 206:42 |
| ➤ Prepaid Fish & Game License Fund | RSA 214:9-c, IV |
| ➤ Publications, Specialty Items, and Fundraising Account | RSA 206:22-a |
| ➤ Pheasant Management Account | RSA 206:35-a |
| ➤ Sale of Fish Food Account | RSA 206:35-c |
| ➤ Operation Game Thief Account | RSA 207:62 |
| ➤ Wildlife Habitat Account | RSA 214:1-f, V |
| ➤ Fisheries Habitat Account | RSA 214:1-g, II |
| ➤ Game Management Account | RSA 206:34-b |

- Wildlife Legacy Initiative Account RSA 206:33-d
- Small Gifts and Donations Account RSA 206:33-a
- Statewide Public Boat Access Account RSA 233-A:13
- Atlantic Salmon Broodstock Account RSA 214:9-e, IV
- Nongame Species Management Account RSA 212-B:6
- Conservation Number Plate Trust Fund RSA 261:97-b, I

Fund Balance: The Department’s assets exceeded liabilities at fiscal year ending June 30, 2018 by \$10.385 million. This amount is presented as “Total Fund Balance” on the Balance Sheet for June 30, 2018. The Total Fund Balance of \$10.385 million is reported in the following classifications and amounts, nonspendable (inventories) for \$0.635 million, restricted for \$4.903 million, committed for \$2.885 million, and assigned for \$1.962 million. The committed and assigned portions of the fund balance are available to the Department to meet general ongoing operational obligations.

Capital Assets: The Department’s total net capital assets as of June 30, 2018 were \$105.737 million. Capital assets are comprised of land, buildings and improvements valued at or over \$100,000 and equipment valued at or over \$10,000. This is comprised of \$5.732 million of equipment, \$90.272 million of land and depreciable land improvements and \$9.733 million in buildings and building improvements. As of June 30, 2018, the Department’s properties included more than 160 buildings, 143 public boat access ramps, 130 dams, 7 fish ladders and over 76 thousand acres of land comprised of Wildlife Management Areas, conservation easements and other interests. As the Department’s financial activities are reported in a governmental fund, the Fish and Game Fund, in compliance with generally accepted accounting principles for government, the Department’s capital assets are not reported in the Fish and Game Fund but are included in the State of New Hampshire’s government-wide financial statements.

General Funds: The Department historically has been a self-funded agency. These funds are mainly derived from the sale of various hunting and fishing licenses and federal grant funds. As the Department’s responsibilities and the cost to operate continue to increase while its revenue stream has remained stagnant, the State Legislature has provided supplemental General Funds. During the fiscal year 2014 and 2015 biennium, \$1.592 million and subsequently during the fiscal year 2016 and 2017 biennium, \$1.200 million of General Funds were transferred into the Fish and Game Fund. During the current biennium, rather than a transfer of revenue, the General Funds were added as an additional revenue appropriation within the Law Enforcement Division. A total of \$0.662 million was transferred, much less than in prior years. For fiscal year 2019 \$0.758 million of State General Funds are budgeted within the Law Enforcement Division.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The financial statements provide an overview of the Department’s finances. These statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) provide information about the Department’s overall financial position reported in the Fish and Game Fund. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are measurable

and available. Expenditures generally are recorded when a liability is incurred. However, expenditures related to debt service and other long-term obligations including compensated absences, other post-employment benefits, pollution remediation obligation, and claims and judgments are recorded only when payment is due.

The **Balance Sheet**, on page 10 presents the Department’s assets and liabilities recorded in the Fish and Game Fund. The difference between the assets and liabilities is reported as “total fund balance”. Changes in assets and liabilities, increases and decreases over a period of time, may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. From the comparative view of fiscal year 2018 to that of the prior fiscal year 2017, the Department’s Assets in the Fish and Game Fund, have increased 20% and Fund Balance has increased 23.5% while Liabilities have increased only 7.8%.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
COMPARATIVE BALANCE SHEET
Fiscal years 2017 and 2018
(Expressed in Thousands)**

	<u>2018</u>	<u>2017</u>	Change	
			<u>Dollar</u>	<u>Percent</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$10,872	\$9,005	\$1,867	20.7%
Accounts Receivable	1,550	1,372	178	13.0%
Inventories	635	508	127	25.0%
Total Assets	13,057	10,885	2,172	20.0%
<u>LIABILITIES</u>				
Accounts Payable	1,727	1,589	138	8.7%
Accrued Payroll	945	889	56	6.3%
Total Liabilities	2,672	2,478	194	7.8%
<u>FUND BALANCE</u>				
Nonspendable:				
Inventories	635	508	127	25.0%
Restricted	4,903	4,024	879	21.8%
Committed	2,885	2,481	404	16.3%
Assigned	1,962	1,394	568	40.7%
Total Fund Balance	10,385	8,407	1,978	23.5%
Total Liabilities and Fund Balance	\$13,057	\$10,885	\$2,172	20.0%

The **Statement of Revenues, Expenditures, and Changes in Fund Balance**, on page 11 presents information showing how the Department operated during the most recent fiscal year.

Revenues and expenditures are reported in this statement for some items that will not result in cash flows until a future fiscal period (such as uncollected license fees and uncollected federal reimbursements). The change in assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement presents revenues by source and expenditures by function.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
(Expressed in Thousands)**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	
			<u>Dollar</u>	<u>Percent</u>
<u>Revenues</u>				
Non-Business License Taxes	\$10,350	\$10,761	(\$411)	-3.8%
Fees	6,452	1,163	\$5,289	454.8%
Fines, Penalties and Interest	105	135	(30)	-22.2%
Grants from Federal Government	10,869	8,947	1,922	21.5%
Grants from Private and Local Sources	812	399	413	103.5%
Interest, Premiums and Discounts	148	38	110	289.5%
Sale of Commodities	392	204	188	92.2%
Grants from Other Agencies	95	6,029	(5,934)	-98.4%
Miscellaneous	1,073	304	769	253.0%
Total Revenues	30,296	27,980	2,316	8.3%
<u>Expenditures</u>				
Administration of Resource				
Protection & Development	22,702	26,495	(3,793)	-14.3%
Debt Service	387	395	(8)	-2.0%
Capital Outlay	3,687	1,703	1,984	116.5%
Total Expenditures	26,776	28,593	(1,817)	-6.4%
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	3,520	(613)	4,133	674.2%
<u>OTHER FINANCING SOURCES</u>				
Transfers In	1,881	2,112	(231)	-10.9%
Transfers Out	(3,550)	0	(3,550)	-100.0%
Total Other Financing Sources	(1,669)	2,112	(3,781)	-179.0%
Excess of Revenues & Other Sources				
Over Expenditures & Other Uses	1,851	1,499	352	23.5%
Fund Balance - July 1	8,407	7,147	1,260	17.6%
Change in Inventory	127	(239)	366	153.1%
Fund Balance - June 30	\$10,385	\$8,407	\$1,978	23.5%

Significant swings in this comparative statement are attributed to various factors. Under Revenues, within the categories of Fees and Grants from Other Agencies, the comparative swing of +454.8% and -98.4% is attributable to the change in fiscal year 2018 in the categorization of Off Highway Recreational Vehicle Registration Fees from Grants from other Agencies to Fees. The change in reporting the amounts was made to better reflect the nature of the reported financial activity. The increase of 289.5% within the category of Interest, Premiums and Discounts, is a direct result of higher interest earnings within the banking system.

Although total expenditures decreased 6.4%, Capital Outlay increased 116.5% due to large land purchases during fiscal year 2018 totaling in excess of \$2.5 million.

Within Other Financing Sources, the category of Transfers Out represents the transfer of Off Highway Recreational Vehicle Fees transferred to the Department of Natural and Cultural Resources. In prior years, this transfer was reported as an expenditure on the financial statement. The change in reporting the amounts was made to better reflect the nature of the reported financial activity.

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the Department’s financial statements. The notes to the financial statements begin on page 12.

BUDGETARY HIGHLIGHTS:

During the fiscal year, the original budget was amended by various supplemental appropriations and appropriation revisions. The difference between the original budget of \$31.574 million and the final budget of \$34.879 million is \$3.3 million composed of appropriations approved during fiscal year 2018. A significant portion of the supplemental appropriations represent federal funds awarded to the Department from the US Fish and Wildlife Service (USFWS) after the approval of the original budget. In accordance with RSA 206:33-b, transfers from the Fish and Game Fund can be made for expenditure of additional funds over budget estimates for the proper functioning of the Fish and Game Department, with the approval of the Fiscal Committee of the General Court (if required by statute or threshold) and the Governor and Executive Council.

➤ Acquiring 672+/- acres in Rindge and Fitzwilliam (USFWS)	\$2,574,600
➤ Miscellaneous Appropriation Increases per RSA (Dedicated Funds)	245,651
➤ Off Highway Recreational Vehicle Unexpended Funds Transfer	150,000
➤ DOS Homeland Security Grant Funds	149,629
➤ Worker’s Compensation Warrant	81,819
➤ Wildlife Heritage Foundation of New Hampshire	50,314
➤ US Fish and Wildlife Service	35,000
➤ National Oceanic and Atmospheric Administration	18,483
Total	<u>\$3,305,496</u>

DEBT ADMINISTRATION:

The State of New Hampshire may issue general obligation bonds authorized by the Legislature and Governor and Executive Council. Based on the Fish and Game Department's utilization of capital budget authorizations, the Department may be responsible for a portion of a general obligation bond issuance. The Fish and Game Fund makes payments of principal and interest on those portions of general obligation bonds issued to finance expenditures of capital budget authorizations made by the Department. Since the Department's debt is a component of the overall obligations of the State of New Hampshire, interest rates apportioned to the debt obligations of the Department are based on the interest rates in effect on the state's overall bonded debt. Outstanding principal as of June 30, 2018 amounts to \$1.782 million, amortized interest payments on the current principal amount is \$0.415 million for a total of \$2.197 million. Current principal and interest payments are amortized as follows:

Fiscal Year 2019	\$329,080
Fiscal Year 2020	\$279,848
Fiscal Year 2021	\$245,398
Fiscal Year 2022	\$254,724
Fiscal Year 2023	\$232,325
Fiscal Year 2024	\$193,372
Fiscal Year 2025	\$168,084
Fiscal Year 2026	\$148,432
Fiscal Year 2027	\$119,191
Fiscal Year 2028	\$ 90,916
Fiscal Year 2029	\$ 30,843
Fiscal Year 2030	\$ 29,844
Fiscal Year 2031	\$ 28,830
Fiscal Year 2032	\$ 23,381
Fiscal Year 2033	\$ 22,512

As the Department's financial activities are reported in a governmental fund, the Fish and Game Fund, in compliance with generally accepted accounting principles for government, the amount of bonds outstanding for which the Department is responsible is not reported on the Department's financial statements, but is included in the State's government-wide financial statements.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
BALANCE SHEET
June 30, 2018
(Expressed in Thousands)**

ASSETS

Cash and Cash Equivalents	\$10,872
Accounts Receivable	1,550
Inventories	635
Total Assets	13,057

LIABILITIES

Accounts Payable	1,727
Accrued Payroll	945
Total Liabilities	2,672

FUND BALANCE

Nonspendable:	
Inventories	635
Restricted	4,903
Committed	2,885
Assigned	1,962
Total Fund Balance	10,385
Total Liabilities and Fund Balance	\$13,057

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

REVENUES

Non-Business License Taxes	\$10,350
Fees	6,452
Fines, Penalties and Interest	105
Grants from Federal Government	10,869
Grants from Private and Local Sources	812
Interest, Premiums and Discounts	148
Sale of Commodities	392
Grants from Other Agencies	95
Miscellaneous	1,073
Total Revenues	<u>30,296</u>

EXPENDITURES

Administration of Resource	
Protection & Development	22,702
Debt Service	387
Capital Outlay	3,687
Total Expenditures	<u>26,776</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>3,520</u>

OTHER FINANCING SOURCES (USES)

Transfers In (Note 4)	1,881
Transfers Out (Note 4)	(3,550)
Total Other Financing Sources	<u>(1,669)</u>
Excess of Revenues & Other Sources	
Over Expenditures & Other Uses	1,851
Fund Balance - July 1	<u>8,407</u>
Change in Inventory	<u>127</u>
Fund Balance - June 30	<u><u>\$10,385</u></u>

The notes to the financial statements are an integral part of this statement.

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Fish and Game Fund have been prepared in accordance with U.S. Generally Accepted Accounting Principles (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.

(a) Financial Reporting Entity

The Fish and Game Fund, established by RSA 206:33, finances the operations of the Fish and Game Department, an organization of the primary government of the State of New Hampshire. The operations of the State Fish and Game Department include the operation of fish hatcheries, inland and marine fisheries and wildlife areas and functions related to law enforcement, land acquisition and wildlife management and research. Principal revenues include fees from fish and game licenses, a portion of the Unrefunded Off Highway Recreational and Marine gas taxes, fines and penalties, donations, federal grants-in-aid related to fish and game management and other funding as approved by the Legislature. Financial reporting of the Fish and Game Fund is included in the Comprehensive Annual Financial Report (CAFR) of the State and is generated by the Department of Administrative Services, with financial reporting assistance from Fish and Game.

(b) Measurement Focus and Basis of Accounting

The Fish and Game Fund is a governmental fund reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the State generally considers revenues to be available if they are collected within 60 days after year end. Receivables not expected to be collected within 60 days are offset by deferred inflows of resources. An exception to this policy is federal grant revenue, which generally is considered to be available if collection is expected within 12 months after year end. Taxes, grants, licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period when available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service and other long-term obligations are recorded only when the payment is due.

(c) Financial Statement Presentation

The financial activity of the Fish and Game Fund is accounted for and reported in the State's Governmental Funds in the State of New Hampshire's Comprehensive Annual Financial Report (CAFR). The activities of the Fish and Game Fund are recorded in a special revenue fund, which is a separate accounting entity with a set of self-balancing accounts.

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

(d) Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2018, the State adopted the following new accounting standards issued by the GASB:

GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, (GASB 75) improves the financial reporting for post-employment benefits other than pensions (OPEB) to include information provided by employers about financial support for OPEB that is provided by other entities. This statement requires enhanced notes disclosures and schedules for required supplementary information be presented. Under the new standard, the State will report net/total other postemployment benefits and related amounts of deferred outflows of resources and deferred inflows of resources associated with other postemployment benefits provided through the New Hampshire Retirement System and the State. The implementation of GASB 75 did not have an impact on the Fish and Game Fund Financial Statements.

GASB No. 81, Irrevocable Split-Interest Agreements (GASB 81) improves the financial reporting for irrevocable split-interest agreements by providing guidance for situations in which a government is a beneficiary of an agreement. This statement requires governments that receive resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and recognize assets representing its beneficial interests that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 did not have an impact on the Fish and Game Fund Financial Statements.

GASB No. 85, Omnibus 2017 (GASB 85) addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including blending component units, goodwill, fair value measurement, and postemployment benefits. The implementation of GASB 85 did not have an impact on the Fish and Game Fund Financial Statements.

GASB No. 86, Certain Debt Extinguishment Issues (GASB 86) improves financial reporting and notes to the financial statements for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, the statement improves financial reporting for prepaid insurance on debt that is extinguished. The implementation of GASB 86 did not have an impact on the Fish and Game Fund Financial Statements.

(e) Accounting Changes

There were no changes in accounting methods or application effective for the 2018 fiscal year.

(f) Accounts Receivable

Receivables in the governmental fund financial statements represent amounts owed to a fund

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

which are received by the State within 60 days after year-end, except for federal grants, which reimburse the State for expenditures incurred pursuant to federally funded programs.

(g) Cash Equivalents

Cash equivalents represent short-term investments with original maturity dates less than three months from the date acquired by the State and are stated at cost, which approximates fair value.

(h) Inventory

Inventories for materials and supplies are determined by physical count. Inventory is stated at average cost.

The Fish and Game Fund, being a governmental fund, records inventory under the purchase method. The reported inventory balance in the Fish and Game Fund is offset by a nonspendable fund balance designation that indicates it does not constitute available spendable resources.

(i) Fund Balances

Fund balances for all governmental funds are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of the fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents the amount that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature, such as an appropriation or legislation. Assigned fund balance is constrained by the Legislature's or other executive authority's intent to be used for specific purposes.

(j) Revenues, Expenditures and Other Financing Sources (Uses)

Revenues are classified as restricted or unrestricted. Unrestricted revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g. federal grants), available only for specified purposes.

Expenditures are categorized by functional category of government, debt service or capital outlay. Expenditures are sub classified by function and are for items such as salaries and associated benefits, supplies, and services. Debt Service includes both interest and principal outlays related to bonds. Capital Outlay includes expenditures for equipment, real property or infrastructure.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's general policy to use restricted resources first. In a governmental fund, when expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and any amounts in any one of these unrestricted classifications could be used, it is the State's general policy to spend committed resources first followed by assigned and unassigned resources, respectively.

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

Other Financing Sources (Uses) – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing provided by bond/note proceeds. Transfers are reported when incurred as “Transfers In” by the receiving fund and as “Transfers Out” by the disbursing fund.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

(l) Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded.

(m) Transfers

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Transfers are recorded when a fund receiving revenue provides it to a different governmental fund which expends the resources.

(n) Budget Control And Reporting

The Statutes of the State of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor’s program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose, or the Legislature adopt, a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget. The operating budget is prepared principally on a modified cash basis and adopted for the governmental funds.

In addition to the enacted biennial operating budget, State departments may submit to the Legislature and Governor and Council, as required, supplemental budget requests necessary to meet expenditures during the current biennium. Appropriation transfers can be made within a department with the appropriate approvals; therefore, the legal level of budgetary control is generally at the departmental level.

Both the Executive and Legislative Branches of government maintain additional fiscal control procedures. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State’s financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of Legislative Budget Assistant, monitors compliance

State of New Hampshire
Fish and Game Fund
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For the Fiscal Year Ended June 30, 2018

with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will generally lapse to assigned or unassigned fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing, which means the balances are reported as restricted, committed or assigned fund balance. The balance of unexpended encumbrances is brought forward into the next fiscal year. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

NOTE 2 – CASH AND CASH EQUIVALENTS

The State pools cash except for separate cash accounts maintained in accordance with legal restrictions. The Fish and Game Fund's portion is reported on the balance sheet under the caption "Cash and Cash Equivalents".

DEPOSITS:

The following statutory requirements and State Treasury policies have been adopted to minimize risk associated with deposits:

RSA 6:7 establishes the policy the State Treasurer must adhere to when depositing public monies. Operating funds are invested per investment policies that further define appropriate investment choices and constraints as they apply to those investment types.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered.

Custodial credit risk is managed in a variety of ways. Although State law does not require deposits to be collateralized, the State Treasurer does utilize such arrangements where prudent and/or cost effective. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk.

All deposits at FDIC-insured depository institutions (including noninterest bearing accounts) are insured by the FDIC up to the standard maximum amount of \$250,000 for each deposit insurance ownership category.

All commercial paper must be from issuers having an A1/P1 rating or better and AA- or better long-term debt rating from one or more of the nationally recognized rating agencies. Certificates of deposit must be with state or federally chartered banking institutions with a branch in New Hampshire. The institution must have the highest rating as measured by Veribanc, Inc.

Whereas all payments made to the State are to be in U.S. dollars, foreign currency risk is

State of New Hampshire
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For the Fiscal Year Ended June 30, 2018

essentially nonexistent on State deposits.

The Fish and Game Fund bank balance at June 30, 2018, was \$10.809 million. Of that balance, \$10.209 million was held in uncollateralized money market accounts and \$0.600 million was collateralized and held in the State's name.

NOTE 3 – ACCOUNTS RECEIVABLE

The June 30, 2018 accounts receivable balance of \$1.550 million was comprised of federal grant receivables of \$0.827 million and license receivables of \$0.723 million.

NOTE 4 – INTERFUND TRANSFERS

Pursuant to RSA 260:61, \$0.92 million of Off Highway Recreational Vehicle unrefunded gas tax was transferred from the Highway Fund to the Fish and Game Fund

Pursuant to RSA 260:60, \$0.96 million of Marine unrefunded gas tax was transferred from the Highway Fund to the Fish and Game Fund.

Pursuant to RSAs 215-A:23 and 215-C:39, \$3.55 million of OHRV and snowmobile registration revenue in the Fish and Game Fund was transferred to the Department of Natural and Cultural Resources, a general fund agency, for use in its OHRV and snowmobile trails programs.

NOTE 5 - EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System ("NHRS") established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. NHRS is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. NHRS covers substantially all full-time State employees, public school teachers and administrators, permanent firefighters, and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. NHRS is divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries.

Group I members at age 60 (age 65 for members beginning service on or after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.667%) of average final

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compensation multiplied by years of creditable service (1/66 of AFC times creditable service for members beginning service on or after July 1, 2011). AFC is defined as the average of the three highest salary years for members vested as of January 1, 2012 and five years for members not vested as of January 1, 2012. At age 65, the yearly pension amount is recalculated at 1/66 (1.515%) of AFC multiplied by years of creditable service.

Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II members who are age 60, or members who are at least age 45 with a minimum of 20 years of creditable service (age 50 with a minimum of 25 years of creditable service or age 60 for members beginning service on or after July 1, 2011) can receive a retirement allowance at a rate of 2.5% of AFC for each year of service not to exceed 40 years (2% of AFC times creditable service up to 42.5 years for members beginning service on or after July 1, 2011). A member who began service on or after July 1, 2011 shall not receive a service retirement allowance until attaining age 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service. However, the allowance will be reduced by $\frac{1}{4}$ of one percent for each month prior to age 52.5 that the member receives the allowance.

Group II members hired prior to July 1, 2011 who have non-vested status as of January 1, 2012 are subject to graduated transition provisions for years of service required for regular service retirement, the minimum age for service retirement, and the multiplier used to calculate the retirement annuity, which shall be applicable on January 1, 2012.

The Department employs both Group I and Group II members.

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, service, or both.

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS also provides a postretirement medical premium subsidy for Group I employees and teachers and Group II police officers and firefighters.

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

Funding Policy: NHRS is financed by contributions from the members, the State and local employers, and investment earnings. By statute, Group I members contributed 7.0% of gross earnings. Group II firefighter members contributed 11.80% of gross earnings and group II police officers contributed 11.55% of gross earnings. Employer contributions required to cover the

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 11.08% of gross payroll for Group I members, 27.79% of gross payroll for Group II firefighter members, and 25.33% of gross payroll for Group II police officer members.

OTHER POSTEMPLOYMENT BENEFITS

The State participates in two Other Post Employment Benefit (OPEB) plans – (1) New Hampshire Retirement System (NHRS) which is a cost-sharing OPEB plan (medical subsidy portion of the pension trust) administered through a trust that meets the criteria in paragraph 4 of GASB 75, and (2) State OPEB plan which is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

New Hampshire Retirement System

General Information about the Trusted OPEB Plan

Plan Description: Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS administers a cost-sharing multiple employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type (“medical subsidy plan”). The membership groups are Group II Police Officers and Firefighters and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

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

Benefits Provided: The Trusted OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employers of its members, or their insurance administrator, toward the cost of health insurance for a qualified retiree, spouse, and certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. Eligibility for the medical subsidy payment is determined by the relevant RSAs, however, the medical subsidy plan is closed to new entrants. The State is a recipient of these medical subsidy payments on behalf of its former employees.

Contributions: Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The State contributed 1.07% of gross payroll for Group I members, 4.10% of gross payroll for Group II

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

firefighter members, and 4.10% of gross payroll for Group II police officer members. Employees are not required to contribute to the OPEB Plan.

The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan.

State of New Hampshire

General Information about the Non Trusted OPEB Plan

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses. 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 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 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 increased the normal retirement age for Group I and Group 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, a single-employer group health plan (Plan), which is the State's self-insurance internal service fund implemented in October 2003 for active State employees and retirees. The 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 earlier. The Department's contributions for the fiscal year ended June 30, 2018 were \$880 thousand.

Liabilities related to the operation of the State's OPEB plans do not flow down to the State's governmental fund financial statements.

NOTE 6 - LITIGATION

Conservation Law Foundation v. New Hampshire Fish and Game Department, et al.

This is a civil citizens suit under the federal Clean Water Act brought by the Conservation Law Foundation, a non-profit environmental advocacy group, regarding certain alleged violations by the Powder Mill State Fish Hatchery of the hatchery's federal National Pollutant Discharge Elimination System ("NPDES") Permit. The suit seeks injunctive relief in the form of water treatment systems at the hatchery, as well as potential civil penalties and payment of CLF's

State of New Hampshire
Fish and Game Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2018

litigation costs and attorneys' fees. The suit names the Department, as well as the Executive Director, the Fish and Game Commission, and each of the Fish and Game Commissioners. The suit was initiated on October 31, 2018. Completion of service of process is anticipated before year-end with the Department's answer likely due in mid-late February 2019. The Department intends to defend the case vigorously, but will be open to reasonable settlement opportunities. The case is primarily about implementing improved water treatment measures, which have been deferred pending U. S. EPA action on the hatchery's NPDES permit renewal. The cost of such capital improvements to the hatchery are unknown but could be as high as \$1,000,000 - \$2,000,000. Beyond requiring water treatment improvements at the hatchery, which are expected to be required irrespective of the lawsuit once the hatchery's NPDES permit is renewed, the likelihood of an unfavorable outcome is low to moderate, with an expectation that CLF may seek penalties and costs in the range of \$25,000 - \$200,000.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
SUPPLEMENTAL SCHEDULE OF REVENUES
BY REVENUE CATEGORY AND ACCOUNT
(Expressed in Thousands)**

Non-Business License Taxes

Hunting & Fishing License Revenue	\$9,923
Fisheries Habitat Stamps	149
Wildlife Habitat Stamps	142
Pheasant Stamps	129
Off Highway Recreational Vehicle (OHRV) Transaction Fee	7
	<u>10,350</u>

Fees

OHRV Registrations	5,067
Statewide Public Boat Access	474
Conservation License Plate	330
Other Funds OHRV	225
Search and Rescue	182
Hike Safe	134
OHRV Agent Commission	18
Court Ordered Search & Rescue Fee	8
Concord Agent Commission	7
Conservation Plate Funds	5
Permits-Atlantic Salmon	2
	<u>6,452</u>

Fines, Penalties & Interest

Court Fines & Penalties	93
License & OHRV Agent Fines	7
Wildlife Habitat Account Interest Earnings	5
	<u>105</u>

Operating Grants-Federal

Wildlife Habitat Program	3,155
Hatcheries	1,154
Wildlife Program Management	1,077
Indirect Costs Recoveries	978
Hunter Safety/Education	541
Law Enforcement	533
Nongame Program	505
Marine Division Region 3	495
Estuarine Reserve	473
Inland Fisheries	374
Public Boat Access	362
Aquatic Education	264
Game Management	247
Conservation License Plate	238
Office of the Director	107
Landowner Relations	90
Public Affairs	68
Business Management	63
Facility Maintenance	62
Fleet Management	30
Conservation Education	30
Wildlife Damage	23
	<u>10,869</u>

Continued

Grants from Private and Local Sources

Small Gifts & Donations, RSA 206:33-A	350
Non-Game Program Donations	324
Atlantic States Marine Fisheries Commission Grants/Donations	65
Wildlife Legacy Initiative	59
Great Bay Stewards	12
	<u>2</u>
	<u>812</u>

Interest, Premiums & Discounts

Fish and Game Fund	67
Connecticut Lakes Natural Area Endowment Funds	50
Game Management	20
Fisheries Habitat	11
	<u>148</u>

Sale of Commodities

Timber Sales	206
Miscellaneous Income	80
Magazine Subscriptions	61
Publications/Specialty Items	38
Non-Game Merchandise	4
Sale of Fish Food	3
	<u>392</u>

Grants from Other Agencies

Timber Revenue	46
Federal Emergency Management Act Funds from Department of Safety	49
	<u>95</u>

Miscellaneous

Game Management Dedicated Funds	428
Game Management Transfers	294
Transaction Fees	39
Sale of Surplus Vehicles	24
Non-Game General Funds	50
Sale of Surplus Property	44
Northeast Fisheries Management Council	40
Conservation License Plate Wildlife Management Institute-Regional Conservation Partnership Program	32
Non-Game Wildlife Management Institute	6
Wildlife Heritage Foundation	96
OHRV Driving While Intoxicated Patrols	20
	<u>1,073</u>

Total Revenues \$30,296

See accompanying Independent Auditor's Report.

**STATE OF NEW HAMPSHIRE
FISH AND GAME FUND
SUPPLEMENTAL SCHEDULE OF EXPENDITURES
BY CHARACTER AND ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Expressed in Thousands)**

Resource, Protection and Development (RPD)

Law Enforcement	\$5,283
Wildlife	4,573
Inland Fisheries	3,743
Business Management	2,631
Office of the Director	1,734
Marine Fisheries	1,641
Public Affairs	1,608
Facilities & Lands	1,257
Unemployment & Worker's Compensation	232
	<u>22,702</u>

Debt Service

Business Management	373
Inland Fisheries	14
	<u>387</u>

Capital Outlay

Wildlife	2,891
Law Enforcement	511
Inland Fisheries	134
Business Management	58
Facilities & Lands	58
Office of the Director	23
Public Affairs	8
Marine Fisheries	4
	<u>3,687</u>
Total Expenditures	<u><u>\$26,776</u></u>

See accompanying Independent Auditor's Report.