

County of Coös, New Hampshire

**Independent Auditors' Report
and
Management's Financial Statements**

December 31, 2012

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

COUNTY OF COÖS, NEW HAMPSHIRE

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
County of Coös, New Hampshire
West Stewartstown, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Coös, New Hampshire, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents, and the related notes to the 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

As discussed in notes 12 and 13 to the financial statements, management has not adopted GASB Statement #45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions) for the reporting of postemployment health and life insurance benefits in the governmental activities and major proprietary funds (Nursing Homes). Management continues to report such benefits on "pay as you go" basis, which is contrary to accounting principles generally accepted in the United States of America which require the actuarial determined liability to be recorded and that annual required contributions related to postemployment benefits attributable to employee services already rendered be recorded as expenses as the employees earn the benefits, which would increase liabilities and decrease net assets of the governmental activities and major proprietary funds (Nursing Homes). The amount by which this departure would affect the liabilities, fund balances, and expenses of the governmental activities and major proprietary funds (Nursing Homes) is not reasonably determinable.

Opinions

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the net position of the governmental activities, business-type activities, and proprietary funds of County of Coös, New Hampshire, as of December 31, 2012, or the respective changes in net position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of each major governmental fund and the aggregate remaining fund information of the County of Coös, New Hampshire, as of December 31, 2012, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3.1 through 3.14 and 32 through 35 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.

Ron L. Beaulieu & Co.

Portland, Maine
December 30, 2013

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

This *Management's Discussion and Analysis* of Coös County's financial statements presents a narrative overview and analysis of the County's financial activities for the year ended December 31, 2012. Please read it in conjunction with the County's financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the calendar year by \$7,216,573 (net assets). Of this amount, \$1,073,083 (unrestricted net assets) may be used to meet Coös County's ongoing obligations to its citizens and creditors, \$2,634,036 is restricted for specific purposes (restricted net assets) and \$3,509,454 is invested in capital assets net of depreciation.
- During the year, the County's total net assets increased by \$1,598,032 indicating a positive change in the County's financial position.
- The business type activities (the County's two nursing homes) continued to operate at a significant loss. During 2012, Coös County Nursing Home in Berlin showed an operating loss of \$3,165,354 and Coös County Nursing Hospital in West Stewartstown showed an operating loss of \$3,840,950. As stated in prior years, these losses are primarily related to a budget neutrality factor applied by the State of New Hampshire during its semi-annual nursing home rate setting.
- Total nursing home revenues increased 2% from 2011 to 2012. Total nursing home expenses only increased 1.7% which continues to be a remarkable accomplishment in the health care sector of today's economy. There was an unexpected increase in the Medicaid Proportional Payment received. Coös County received \$1,282,018.21 more than expected. Proshare is a supplemental payment made to county-owned nursing facilities based upon the difference between Medicaid Payments and what the payment would have been if those residents had been on Medicare. The federal share, which is half of the total, is divided among the counties. The ProShare payments are paid to counties based upon the Medicaid residents within the county nursing facilities.
- Registry revenue for 2012 totaled \$309,022 with Registry expense totaling \$308,827, an operating gain of \$195. This was an 7.6% increase over revenues in 2011 of \$285,451. Hopefully, this is a sign of a return to a more robust economy.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Coös County's financial statements. These statements are comprised of three components: 1) Basic financial statements, 2) Fund financial statements and 3) Notes to the financial statements. Required supplementary information is included in addition to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT’S DISCUSSION & ANALYSIS

BASIC FINANCIAL STATEMENTS

Basic financial statements are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all County assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator in determining if the financial position of the County is improving or deteriorating. The statements are prepared using the accrual basis of accounting similar to the accounting method used by private-sector business.

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as earned but uncollected revenues and earned but unused personal and sick leave.

Both of these County-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover their costs through user fees and charges (*business-type activities*).

The *governmental activities* of Coös County include general government (County Administration, County Treasurer, County Finance, Register of Deeds, County Attorney, Victim/Witness, Medical Referees, Coös County Conservation District, Delegation Expense and appropriations to outside agencies), public safety (Sheriff’s Department and the Department of Corrections), human services, and debt service. Also included are general government activities specific to the County’s unincorporated places including roads, bridges, health, education and sanitation.

The *business-type activities* of the County include two long-term care facilities, a 97-bed nursing home in West Stewartstown and a 100-bed nursing home in Berlin.

FUND FINANCIAL STATEMENTS

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other State and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

1. **Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the basic financial statements. However, unlike the basic financial statements, the governmental funds financial statements focus on current in-flows and outflows of spendable resources as well as the balance of available resources at the end of the fiscal year. Such information may be useful in evaluating the County’s short-term financial position and the financial resources available in the near future to support the County’s programs.

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Because the focus of governmental funds is narrower than that of the basic financial statements, it is useful to compare the information presented for government funds with similar information presented for government activities in the basic financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the government funds balance sheet and the government fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

In addition to the *General Fund*, the County maintains the *Unincorporated Places Fund*. This fund is unique to Coös, Grafton and Carroll counties where the counties provide general government functions for their unincorporated places. Coös County has 23 unincorporated places. In addition, Coös County performs all the administrative and financial support services for Grafton County (Livermore).

2. **Proprietary Funds** are comprised of *enterprise funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the basic financial statements. The County uses enterprise funds to account separately its two nursing home operations in Berlin and West Stewartstown. *Proprietary fund* financial statements provide similar information as the basic financial statements, only in more detail. These statements present the County's *business-type activities (enterprise funds)* for each nursing home separately and in the aggregate.
3. **Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. The County retains only agency type fiduciary funds. *Agency funds* are not reflected in the basic financial statements because the resources of these funds are not available to support the County's programs.

Agency funds reported by the County include:

- Funds held for the benefit of residents and employees in each nursing home (e.g. Residents' Fund, Sunshine Fund, Resident Council Fund, and Gift and Benefit Fund);
 - Funds held by the Coös County Register of Deeds for the State of New Hampshire;
 - Funds held for the Unincorporated Place of Livermore in Grafton County; and
 - Funds held for Department of Corrections' inmates.
4. **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the basic and fund financial statements.
 5. **Required Supplementary Information** regarding the County's budgetary process has been provided. The County adopted its original budget in March 2012. This document presents the adopted budget and it is compared to actual revenue and expenses with variances both favorable and unfavorable noted. Additionally, a budget comparison for the County's unincorporated places budget versus actual revenues and expenses is provided separately.

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

BASIC FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET ASSETS: The following presents a summary of the Statements of Net Assets for the County as of December 31, 2012 and 2011:

**Summary of Net Assets
December 31, 2011 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Assets:						
Current and Other Assets	\$6,202,961	\$6,735,834	\$ 577,441	\$1,941,843	\$ 6,780,402	\$ 8,677,677
Capital Assets	<u>711,037</u>	<u>682,770</u>	<u>3,536,213</u>	<u>3,312,434</u>	<u>4,247,250</u>	<u>3,995,204</u>
Total Assets	<u>\$6,913,998</u>	<u>\$7,418,604</u>	<u>\$ 4,113,654</u>	<u>\$5,254,277</u>	<u>\$ 11,027,652</u>	<u>\$ 12,672,881</u>
Liabilities:						
Current and Other Liabilities	\$1,317,113	\$1,220,429	\$ 720,939	\$ 894,330	\$ 2,038,052	\$ 2,114,759
Long-Term Liabilities	<u>426,212</u>	<u>(734,368)</u>	<u>2,944,847</u>	<u>4,075,917</u>	<u>3,371,059</u>	<u>3,341,549</u>
Total Liabilities	<u>\$1,743,325</u>	<u>\$486,061</u>	<u>\$3,665,786</u>	<u>\$4,970,247</u>	<u>\$ 5,409,111</u>	<u>\$ 5,456,308</u>
Net Assets:						
Invested in Capital Assets Net of Related Debt	\$711,037	\$682,770	\$2,953,313	\$2,826,684	\$ 3,664,350	\$ 3,509,454
Restricted Net Assets	1,799,855	2,634,036	-	-	1,799,855	2,634,036
Unrestricted Net Assets	<u>2,659,781</u>	<u>3,615,737</u>	<u>(2,505,445)</u>	<u>(2,542,654)</u>	<u>154,336</u>	<u>1,073,083</u>
Total Net Assets	<u>\$5,170,673</u>	<u>\$6,932,543</u>	<u>\$ 447,868</u>	<u>\$ 284,030</u>	<u>\$ 5,618,541</u>	<u>\$ 7,216,573</u>

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Coös County, assets exceeded liabilities by \$7,216,573 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets, \$3,509,454 or 62.0%, of the County's net assets is invested in capital assets (e.g., land and land improvements, buildings and building improvements, and equipment). Coös County uses these capital assets to provide services to citizens; consequently, these net assets totaling \$3,509,454 are not available for future spending

An additional portion of the County's net assets are Restricted Net Assets, (48.6%) or \$2,634,036, represents resources that are subject to restrictions on how they may be used (e.g., incentive funds, facility and equipment funds, and unincorporated places funds).

The remaining balance, Unrestricted Net Assets of \$1,073,083 or 14.9%, may be used to meet the government's ongoing obligations to citizens and creditors.

(Continued on next page)

**COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

CHANGE IN NET ASSETS: The following table indicates the changes in net assets for governmental and business-type activities for the years ended December 31, 2011 and 2012:

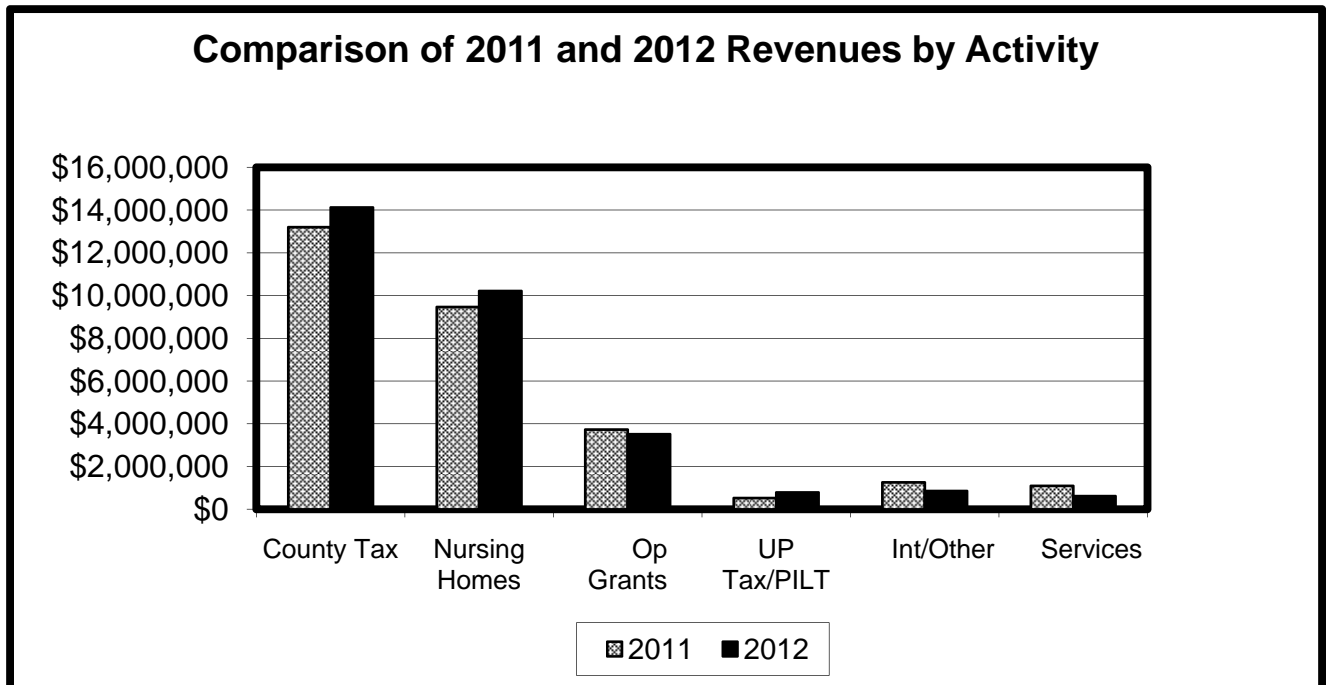
Summary of Changes in Net Assets For the Calendar Years Ended December 31, 2011 and 2010						
	Governmental Activities		Business-Type Activities		Total	
Revenues:	2011	2012	2011	2012	2011	2012
Functions/Programs						
Charges for Services	\$ 1,094,937	\$ 619,645	\$9,467,039	\$10,213,978	\$10,561,976	\$10,833,623
Operating Grants and Contributions	1,556,099	3,513,675	2,176,476	1,592,022	3,732,575	5,105,697
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
County Tax Assessment	13,199,734	14,124,082	-	-	13,199,734	14,124,082
Unincorporated Property Taxes	184,949	190,176	-	-	184,949	190,176
Payment in Lieu of Taxes	343,827	598,688	-	-	343,827	598,688
Other Taxes	302,912	680,442	-	-	302,912	680,442
Grants & Contributions Not Restricted in Purpose	846,538	-	-	-	846,538	0
Interest & Investment Earnings	2,465	2,563	-	-	2,465	2,563
Other	44,601	113,538	60,430	61,914	105,031	175,452
Gain on Disposal of Capital Assets	3,300	(3443)	-	-	3,300	(3443)
Total Revenues	<u>\$17,579,362</u>	<u>\$19,839,366</u>	<u>\$11,703,945</u>	<u>\$11,867,914</u>	<u>\$29,283,307</u>	<u>\$31,707,280</u>
Expenses:						
General Government	\$1,816,796	\$2,373,692	\$ -	\$ -	\$1,816,796	\$2,373,692
Public Safety	2,586,595	2,817,168	-	-	2,586,595	2,817,168
Highways, Streets, Bridges	6,500	5,000	-	-	6,500	5,000
Education	56,811	60,529	-	-	56,811	60,259
Sanitation	240,409	114,844	-	-	240,409	114,844
Human Services	5,839,028	5,727,745	-	-	5,839,028	5,727,745
Conservation	65,000	83,950	-	-	65,000	83,950
Nursing Homes	-	-	18,578,380	18,895,695	18,578,380	18,895,695
Farm/Land Management	200,731	13,457	-	-	200,731	13,457
Interest on Long-term Debt	-	36,576	-	-	-	36,576
Total Expenses	<u>\$10,811,870</u>	<u>\$11,232,961</u>	<u>\$18,578,380</u>	<u>\$18,895,695</u>	<u>\$29,390,250</u>	<u>\$30,128,656</u>
Excess (Deficiency) Before						
Special Items & Transfers	\$ 6,767,492	\$0	\$(6,686,382)	\$0	\$(106,943)	\$0

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**COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

Transfers	<u>(6,686,382)</u>	<u>(6,863,943)</u>	<u>6,874,435</u>	<u>6,863,943</u>	<u>-</u>	<u>-</u>
Change in Net Assets	81,110	1,742,462	(188,053)	(163,838)	(106,943)	1,578,624
Net Assets, Beginning of Year, Restated	<u>5,089,563</u>	<u>5,190,081</u>	<u>635,921</u>	<u>444,868</u>	<u>5,725,484</u>	<u>5,637,949</u>
Net Assets, End of Year	<u>\$ 5,170,673</u>	<u>\$ 6,932,543</u>	<u>\$ 447,868</u>	<u>\$ 284,030</u>	<u>\$ 5,618,541</u>	<u>\$ 7,216,573</u>

The following chart is a graphical presentation of 2011 and 2012 Revenues by Activity from the Table above:



County taxes constitute the largest source of county revenues amounting to \$14,123,935 in 2012 compared to \$13,199,675 in 2011. This increase of \$924,260 (7%) in the county taxes allocated to the city, towns and unincorporated places of Coös County followed a (13.6%) increase in county taxes in 2011.

Nursing home revenue increased 1.4%. As stated earlier in the Financial Highlights section, the Medicaid reimbursement rates set by the State Department of Health & Human Services continued to be reduced by the State's budget neutrality factor. The average budget neutrality adjustment in 2012 was 29.21%. Budget neutrality adjustments to the Medicaid rate reached an all-time high of 30.09% in 2012.

Local property taxes increased 2.8% in the Unincorporated Places. In dollars, the increase is \$5,227. Yield taxes are the major source of revenue for the unincorporated places in the aggregate.

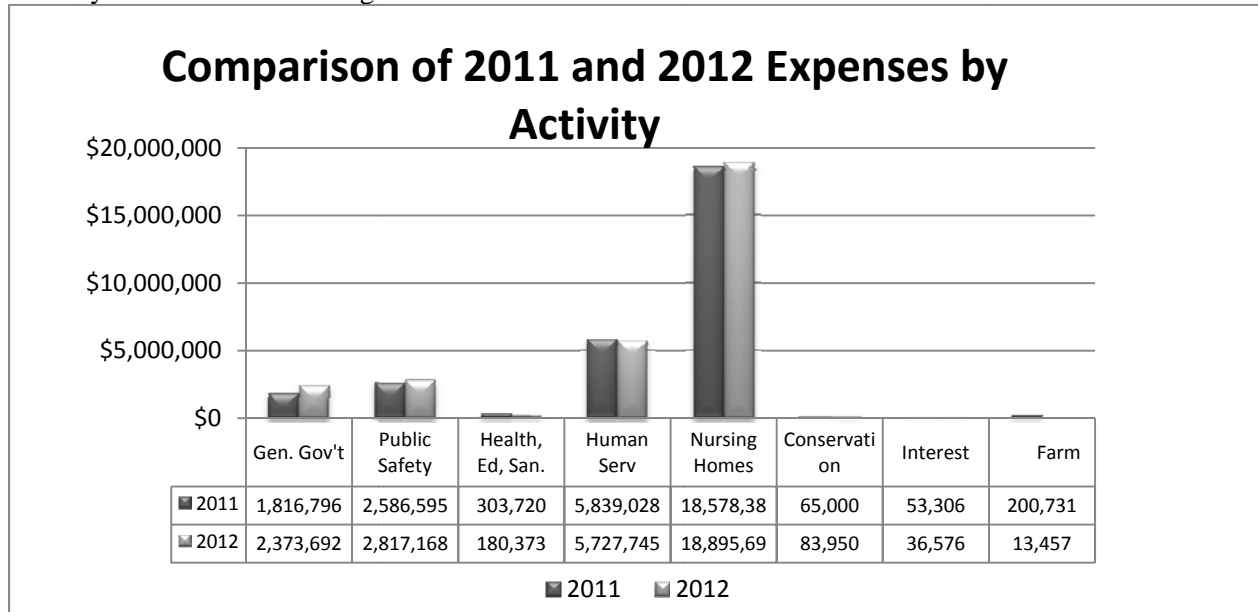
Interest income rose 4% from \$2,465 in 2011 to \$2,563 in 2012.

Total revenues saw an increase from 2011 to 2012 by \$2,423,973.

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COUNTY OF COÖS, NEW HAMPSHIRE MANAGEMENT'S DISCUSSION & ANALYSIS

The following chart is a graphical presentation of the comparison of 2011 and 2012 Expenses by Activity from the Table on Pages 7 and 8:



General Government expenses increased \$556,896 or 30%. Some of the increases were due to the hiring of a new County Administrator in the interim of the previous Administrator retiring. Upon the Administrators retirement, accrued vacation and sick time was paid out. The County Attorney had new office renovations which costs \$85,000. The County distributed 9 Economic Development grants totaling \$42,500 to Towns in Coös County.

Other county general government functions such as the County Attorney, Victim Witness Program, and Registrar of Deeds, showed only slight increases in expenses. A large portion of the increase in general government is attributed to the expenditure of \$389,171 in grant funding which was offset by revenue from the federal government.

Public Safety expenses associated with the Sheriff's Department, the Department of Corrections and public safety contracted expenses in the unincorporated places increased 8%. Although the expenses of the Sheriff's Department increased from \$629,465 in 2011 to \$679,511 in 2012, expenses for the Department of Corrections increased by \$132,562 from 2011.

Highways, Streets and Bridges (shown in the Table but not on the graph due to the small amount) showed no change. These costs are associated with Success Pond and Millsfield Pond road maintenance.

The Human Services costs decreased by \$109,352 in 2012. The Human Services expense is the amount paid by the County to the State of N.H. for the non-federal share of Intermediate Nursing Care and Home & Community Based Care. Although overall costs for these two programs are increasing in New Hampshire, state law requires the Department of Health and Human Services to allocate a \$5 million annual credit to the state's 10 counties based on each county's share of elderly over the age of 65 receiving Medicaid services.

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COUNTY OF COÖS, NEW HAMPSHIRE MANAGEMENT'S DISCUSSION & ANALYSIS

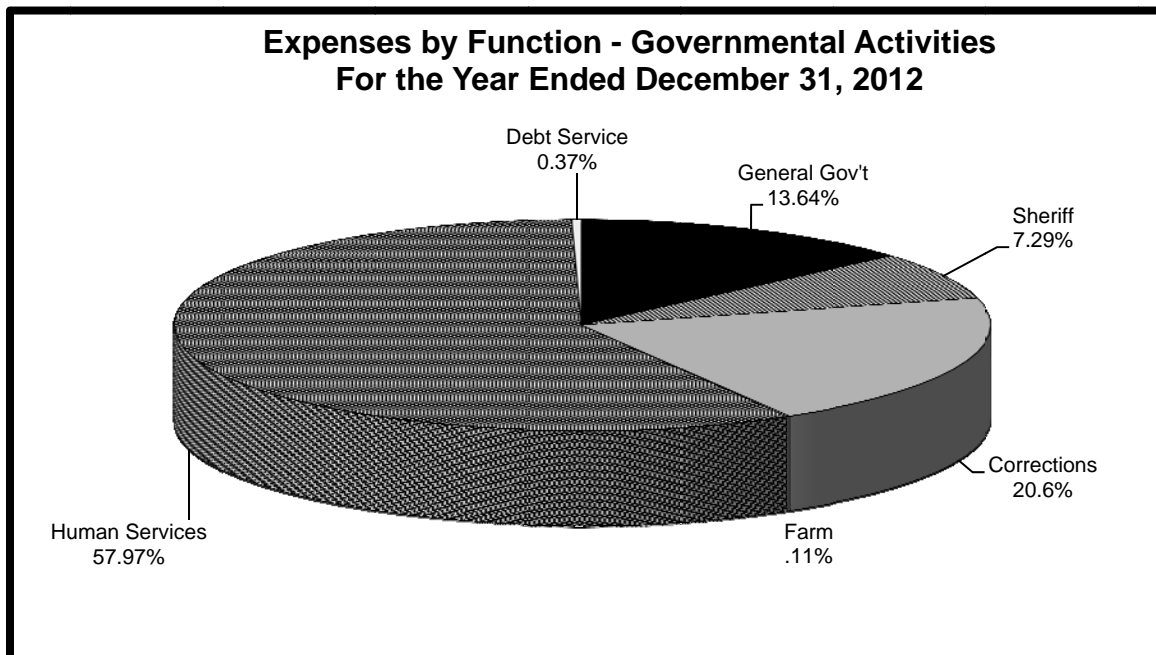
Nursing Home costs increased only by \$16,789 in 2012 and the Nursing Hospitals costs increased by \$304,143 in 2012. The total amount of increase continues to track at less than medical inflation.

The Coös County Delegation voted on March 12, 2011 to close Coös County's dairy operation. The 150-head herd of Holsteins was sold in May 2011. County grass and corn lands were leased to local business owner. All expenses of the Barn and land are now included under Land Management, there is no longer a Farm Expense.

Government Activities

Although this discussion is about numbers, it is important to remember that these numbers all relate to people. These "people" are Coös County citizens in living in nursing homes or receiving long-term care services in their homes, it is about public safety as the County provides criminal justice programs with its Sheriff's Department and Department of Corrections. It is about the important services of the Registry of Deeds, the County Attorney, UNH Cooperative Extension and the Conservation District. It is about a Recycling Center and Transfer Station that serve as work sites for inmates where they learn good work habits and interpersonal skills and serve the communities. It is about a County that is the local government for 23 unincorporated places where people live, work and recreate. It's about over 430 County employees who are dedicated to provide citizen services and it is about taxes that people work hard to pay.

Below is a graph that presents actual expenditures under each of the major *governmental activities*, excluding the County's unincorporated places as they are fully supported by real estate taxes and other local revenues from each unincorporated place and not the County property tax.



Human Services (57.97%) represents \$ 5,692,917 in expenditures.

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COUNTY OF COÖS, NEW HAMPSHIRE MANAGEMENT'S DISCUSSION & ANALYSIS

Since July 1, 2008, Coös County reimburses the State of NH 100% of the non-federal share of Medicaid costs of two programs:

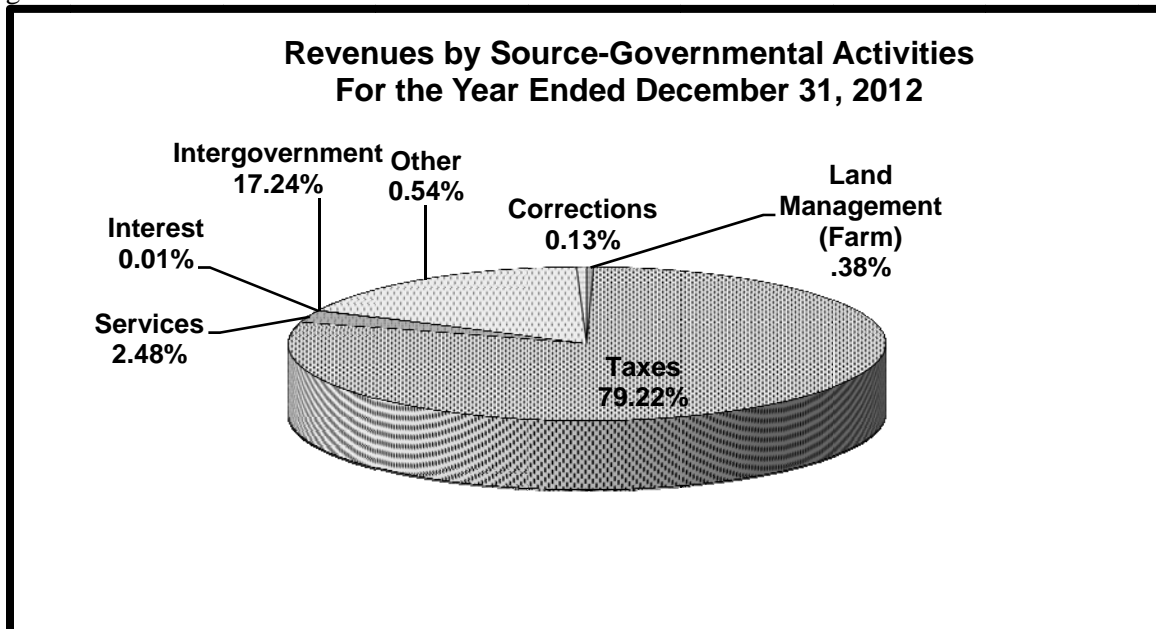
- Home and Community Based Care (HCBC); and
- Intermediate Nursing Care (INC).

General Government (13.64%) or \$1,340,385 includes County Administration, County Treasurer, County Finance, Registry of Deeds, County Attorney, Victim/Witness Program, Medical Referees, County Conservation District, delegation expenses and appropriations to outside agencies.

The Department of Corrections accounts for 20.6% of spending for government functions or \$2,024,381 and the Sheriff's Department represents the 7.29% or \$715,508.

Other programs included in government functions are the Coös County Land Management (Farm) with expenses of \$10,585 or .11% and Debt Service of \$36,576 or 0.37%. This debt service represents the interest expense for the \$7,000,000 borrowed short-term in 2012 in anticipation of taxes. This amount was repaid in full before December 31, 2012.

Below is a graphical presentation of the various revenue sources under each of the major governmental activities.



Coös County received most of its revenues (79.22%) from property taxes totaling \$14,124,935. Intergovernmental revenues (17.24%) include receipts from Medicaid Proportional Share Funds, Court Security, and the Victim/Witness Program, federal PILT funds and the American Recovery and Reinvestment Act Federal Medicaid Assistance Percentage (FMAP) reimbursements from the federal government through the State of NH. The intergovernmental revenues totaled \$3,074,149. Service revenues (2.48%) include charges for real estate transfers (Registry of Deeds) and fees associated with public safety services (Sheriff's Department) totaling \$441,298. Land Management (formerly County Farm) generated revenue of \$67,763 or .38% and interest on

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COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

investments earned \$2,345 or .01%. "Other" on the graph includes corrections revenue and other miscellaneous revenues totaling \$96,142 or .54%.

The reader should recognize that the graphs presented on both revenues and expenses do not include the *enterprise fund* activity.

Business-Type Activities.

- Business-type activities (the County's two nursing homes) show a decrease in net assets from \$447,868 to a net asset total of \$284,030.
- Charges for services totaling \$9,956,981 to users (Nursing Home Board and Care for residents on Medicaid or private pay, meals, and miscellaneous revenue) comprise 84% of business-type revenues. Operating grants and contributions totaling \$1,592,022 (Medicaid Quality Incentive Funds) account for 13%. The remaining 3% or \$318,911 is a combination of capital grants/contributions and laundry, maintenance, nursing and administrative services paid to Coös County Nursing Hospital by the Department of Corrections.

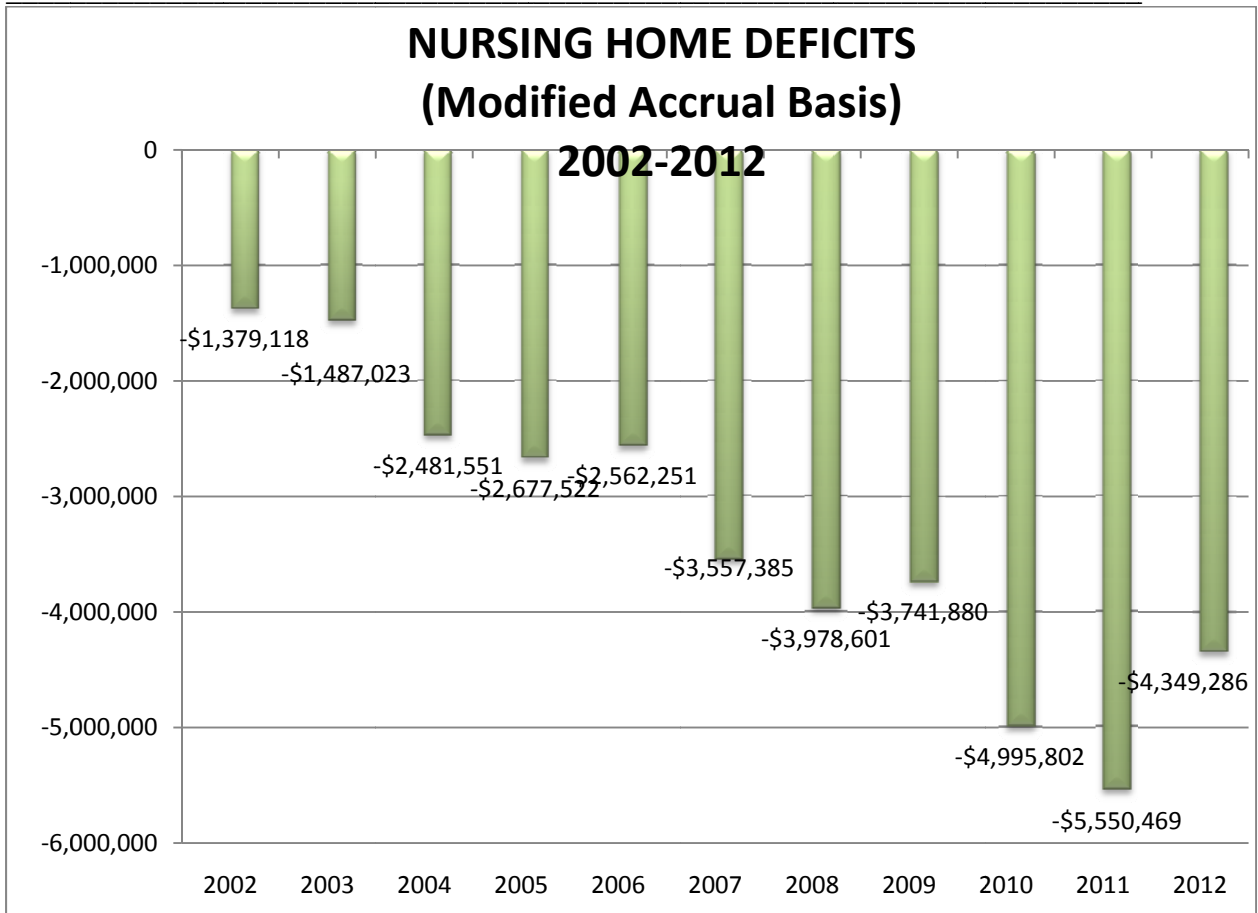
The key factors affecting the enterprise funds - the two nursing homes - as well as some governmental funds in 2012 included:

- **Wages:** The increased cost of labor. Ninety-five percent of the County's employees work in the two nursing homes. Annual step increases were granted to County employees who had not reached Step 10 on the County's wage schedule.
- **Benefits:** The County's contribution to the N.H. Retirement System remained the same in 2012. Worker's Compensation Insurance expense increased 16.5% in 2012
- **Medicaid:** The State of New Hampshire has not kept up with the cost of providing care to Medicaid eligible citizens. While the counties are required to serve those that are Medicaid eligible, State budget policy is to reimburse the counties for long-term care at a rate that is far below the Medicaid allowable cost of providing the service. The Medicaid State Plan Amendment that allows this practice is commonly known as budget neutrality. The County property taxpayer picks up the balance of the unreimbursed cost.

The following graph shows the extent of the operating deficits that Coös County has incurred over the past 10 years due to the escalating cost of providing long term care in its two nursing homes, below average occupancy at the County's facility in W. Stewartstown and the State policy of paying below-allowable cost reimbursement. Included in revenue are the Proportionate Share Payments received from the Medicaid program under a Medicaid State Plan Amendment and the Medicaid Quality Incentive Program funds. The reader is reminded that in 2004 the County started receiving Medicaid Quality Incentive Funds retroactive to May 2003. The one-time retroactive payment did not recur in subsequent years. The graph is prepared using revenues and expenses reported on a modified accrual basis.

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Over the course of the year, the County Commissioners and Delegation revised various line items by transferring funds between line items. This action was necessitated by a resolution adopted by the Coös County Convention in March 2004 requiring line item transfers for any over expenditure of \$1,000 or more in a line item.

Other than the results of *business-type activity* noted above, in the *general fund excluding the unincorporated places*, the variances between amounts budgeted (original and final) and the actual amounts expended were favorable. Specifically all categories of *governmental activities* except the Farm had favorable variances:

- General Government \$116,528
- Public Safety \$145,642
- Department of Corrections \$17,469
- Farm \$315
- Human Services \$454,883
- Debt Service \$58,424

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

For revenues, with the exception of Intergovernmental Revenues and Land Management/County Farm, several categories of *governmental activities* had negative variances:

- Taxes \$0 – All but 3 Coös County municipalities paid County taxes by the due date of December 17th. These 3 municipalities were Whitefield, Randolph and Dalton. The balances were all paid by December 27th.
- Intergovernmental \$1,207,561
- Medicaid Proportional Share funds were \$1,282,018 more than expected due to increases in Medicaid funding from Proshare which is a supplemental payment made to county-owned nursing facilities based upon the difference between Medicaid Payments and what the payment would have been if those residents had been on Medicare. The federal share, which is half of the total, is divided among the counties. The ProShare payments are paid to counties based upon the Medicaid residents within the county nursing facilities. The Proshare to the Nursing Homes is growing due to the widening of the gap between Medicare and Medicaid Rates Proshare is a supplemental payment made to county-owned nursing facilities based upon the difference between Medicaid Payments and what the payment would have been if those residents had been on Medicare.
 - The federal Payment in Lieu of Taxes county portion was \$12,856 higher due to the CPI annual adjustment;
 - The County Attorney claimed \$2,404 in reimbursement for the Domestic Violence Prosecutor's Grant with an expected \$4,000 budgeted;
 - The County Sheriff's court security revenues collected \$33,559 less than anticipated;
 - The County Attorney budgeted \$14,850 for the Byrne Justice Grant and no grant funding was received in 2012
 - The Victim Witness Program did not meet its budgeted revenue by \$1,500.
- Land Management/Farm \$55,810 – County land was sold for an income of \$52,500 that was not budgeted for. The County received \$1611.12 in Agri-Mark Dividends and timber was sold for \$130
- Charges for Services \$86,298 –The uptick in the real estate market resulted in the Registry of Deeds fees exceeding projections by \$58,522. The Sheriff's Department exceeded its expected Special Detail Revenue by \$11,516. Civil Process Fees totaled \$19,976 more than expected and Court Security was \$15,766 more than expected. The transportation of juveniles was below its budget projections by \$5,342.
- Interest (\$155) -Interest rates in 2012 were still at all-time lows.
- Corrections (\$1,083) -Income from the inmate telephone commissions, the Social Security Administration reporting service and from the electronic monitoring program totaled \$23,517 slightly below projected income of \$24,600. The electronic monitoring program is decreasing in use and therefore bringing the Corrections facility less income.
- Other \$68,142 –

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

-
- Refunds from prior year expenses totaled \$44,303.20 against a budgeted projection of \$10,000. Most of this income came from the State of NH –DHHS and State of NH for Extradition fees.
 - Miscellaneous Revenue exceeded the budget projection by \$32,338 due primarily to the Retiree Drug Subsidy from the Centers for Medicare and Medicaid related to the County's retiree benefit program and receipt of Escheated Funds from the State of NH for 2008.
 - Miscellaneous Revenue for the Farm/Land Management for cleaning up of some odd items and some prior revenue for dividends & litigation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Asset. The County's investment in capital assets for its governmental and business type activities as of December 31, 2011 amounted to \$3,664,350 (net of accumulated depreciation and related debt). The investment in capital assets includes land, land improvements, buildings, building improvements, vehicles and equipment. Eighty one percent (81%) of the County's capital assets are related to *business-type activity*, the County's two nursing homes. The balance consists of capital assets predominately belonging to the Department of Corrections, Sheriff's Department and the County.

Major capital asset additions during the 2012 fiscal year included:

- 50 New energy efficient windows in the Coös County Nursing Hospital
- Fire Alarm Upgrade in the Coös County Nursing Hospital
- Air Conditioner Condenser for Coös County Nursing Hospital
- Ten electric beds for each nursing home;
- New car for Coös County Nursing Hospital
- Computers for each nursing home;
- Replaced boiler in Coös County Nursing Home
- Installed Dry Sprinkler System for Computer Room
- New cruiser for the Sheriff's Department

Debt Administration. As of December 31, 2012 Coös County had \$385,738 in debt. These funds financed renovations and an addition to the Coös County Nursing Hospital in 2007. The financing was with a 10-Year Loan from Northway Bank at 3.69%. Principal payments are paid in equal installments with the first payment made on December 26, 2008.

CURRENTLY KNOWN FACTS & SUBSEQUENT EVENTS:

- The Coös County tax for 2013 increased by \$314,190 or 2.2%.
- There continues to be much uncertainty about the State budget and its effects locally. Although leadership in both the N.H. Senate and N.H. House have pledged not to downshift costs to the property tax payers it seems inevitable that some cost shift will occur given the drastic cuts in the State budget approved by the House of Representatives.
- In January 2012, the new 99MW wind park located in Coös County's Unincorporated Places began generating electricity. There is still ongoing controversy about the possibility of a 1200MW transmission line, known as Northern Pass, cutting through Coös County on its route to Southern New England. The impact on the environment and tourism is expected to

(Continued on next page)

COUNTY OF COÖS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

be negative; however, the property value of this utility structure would add significantly to Coös County's tax base.

REQUEST FOR INFORMATION:

This financial report is designed to provide a general overview of the County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Coös County Commissioners' Office, PO Box 10, West Stewartstown, NH 03597.

(Continued on next page)

STATEMENT A

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 5,644,832	\$ 4,700	\$ 5,649,532
Temporary investments	328,609	-	328,609
Accounts receivable (net)	44,171	901,623	945,794
Taxes receivable (net)	496,816	-	496,816
Due from other governments (net)	40,085	424,920	465,005
Inventories	-	114,192	114,192
Prepaid expenses	20,468	208,501	228,969
Property by tax deed	399	-	399
Total current assets	<u>6,575,380</u>	<u>1,653,936</u>	<u>8,229,316</u>
Noncurrent assets:			
Capital assets, net	682,770	3,312,434	3,995,204
Restricted cash	160,454	287,907	448,361
Total noncurrent assets	<u>843,224</u>	<u>3,600,341</u>	<u>4,443,565</u>
TOTAL ASSETS	<u>7,418,604</u>	<u>5,254,277</u>	<u>12,672,881</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,150,202	149,032	1,299,234
Accrued expenses	34,415	43,490	77,905
Accrued payroll	35,812	356,522	392,334
Due to other governments	-	245,274	245,274
Bond payable, current portion	-	100,012	100,012
Total current liabilities	<u>1,220,429</u>	<u>894,330</u>	<u>2,114,759</u>
Noncurrent liabilities:			
Internal Balances	(1,179,477)	1,179,477	-
Accrued compensated absences	445,109	2,510,702	2,955,811
Bonds payable, less current portion	-	385,738	385,738
Total noncurrent liabilities	<u>(734,368)</u>	<u>4,075,917</u>	<u>3,341,549</u>
TOTAL LIABILITIES	<u>486,061</u>	<u>4,970,247</u>	<u>5,456,308</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenues	-	-	-
TOTAL DEFERRED INFLOW OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Invested in capital assets, net of related debt	682,770	2,826,684	3,509,454
Restricted	2,634,036	-	2,634,036
Unrestricted	3,615,737	(2,542,654)	1,073,083
TOTAL NET POSITION	<u>\$ 6,932,543</u>	<u>\$ 284,030</u>	<u>\$ 7,216,573</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT B

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,373,692	\$ 309,514	\$ 301,971	\$ -	\$ (1,762,207)	\$ -	\$ (1,762,207)
Public safety	2,817,168	166,292	144,108	-	(2,506,768)	-	(2,506,768)
Highways, streets, bridges	5,000	-	-	-	(5,000)	-	(5,000)
Education	60,529	-	-	-	(60,529)	-	(60,529)
Sanitation	114,844	76,076	21,550	-	(17,218)	-	(17,218)
Human services	5,727,745	-	3,046,046	-	(2,681,699)	-	(2,681,699)
Conservation	83,950	-	-	-	(83,950)	-	(83,950)
Farm	13,457	67,763	-	-	54,306	-	54,306
Interest	36,576	-	-	-	(36,576)	-	(36,576)
Total governmental activities	11,232,961	619,645	3,513,675	-	(7,099,641)	-	(7,099,641)
Business-type activities:							
Nursing Homes	18,895,695	10,213,978	1,592,022	-	-	(7,089,695)	(7,089,695)
Total	30,128,656	10,833,623	5,105,697	-	(7,099,641)	(7,089,695)	(14,189,336)
General revenues:							
Taxes					14,123,935	-	14,123,935
Taxes - unincorporated places					190,176	-	190,176
Taxes - payment in lieu					598,688	-	598,688
Taxes - other					680,441	-	680,441
Interest					2,711	-	2,711
Gain / (loss) on sale of capital assets					(3,443)	-	(3,443)
Miscellaneous revenues					113,538	61,914	175,452
Transfers					(6,863,943)	6,863,943	-
Total general revenues					8,842,103	6,925,857	15,767,960
Change in net position					1,742,462	(163,838)	1,578,624
Net position - January 1 (restated)					5,190,081	447,868	5,637,949
Net position - December 31					\$ 6,932,543	\$ 284,030	\$ 7,216,573

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT C

COUNTY OF COÖS, NEW HAMPSHIRE
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Unincorporated Places	Other Governmental Funds	Total
ASSETS				
Cash	\$ 5,626,218	\$ -	\$ 18,614	\$ 5,644,832
Temporary investments	133,826	92,074	102,709	328,609
Accounts receivable (net)	39,207	172	4,792	44,171
Taxes receivable	-	496,816	-	496,816
Inventories	-	-	-	-
Due from other governments (net)	39,979	-	106	40,085
Due from other funds	1,179,477	1,756,145	163,783	3,099,405
Prepaid expenses	18,489	-	1,979	20,468
Property by tax deed	399	-	-	399
Restricted cash	160,454	-	-	160,454
TOTAL ASSETS	\$ 7,198,049	\$ 2,345,207	\$ 291,983	\$ 9,835,239
LIABILITIES				
Accounts payable	1,149,349	854	-	1,150,203
Accrued expenses	34,415	-	-	34,415
Accrued payroll	33,512	2,300	-	35,812
Due to other funds	1,919,927	-	-	1,919,927
TOTAL LIABILITIES	3,137,203	3,154	-	3,140,357
DEFERRED INFLOW OF RESOURCES				
Deferred revenue	-	26,083	-	26,083
TOTAL DEFERRED INFLOW OF RESOURCES	-	26,083	-	26,083
FUND BALANCES				
Nonspendable, reported in:				
General fund	1,331,792	-	-	1,331,792
Restricted, reported in:				
Special revenue funds	-	-	291,983	291,983
Unincorporated Places	-	2,315,970	-	2,315,970
Assigned, reported in:				
General fund	3,046	-	-	3,046
Unassigned, reported in:				
General fund	2,726,008	-	-	2,726,008
TOTAL FUND BALANCES	4,060,846	2,315,970	291,983	6,668,799
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,198,049	\$ 2,345,207	\$ 291,983	
	Capital assets used in governmental activities			682,770
	Deferred revenue from governmental activities			26,083
	Long-term liabilities from governmental activities			(445,109)
	Net assets of governmental activities			\$ 6,932,543

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General	Unincorporated Places	Other Governmental Funds	Total
REVENUES				
Taxes	\$ 14,123,935	\$ 844,534	\$ -	\$ 14,968,469
Charges for services	441,298	-	87,068	528,366
Corrections	23,517	-	-	23,517
Farm	67,763	-	-	67,763
Intergovernmental	3,074,149	604,262	433,953	4,112,364
Interest earned	2,492	100	119	2,711
Miscellaneous	96,142	17,395	-	113,537
TOTAL REVENUES	17,829,296	1,466,291	521,140	19,816,727
EXPENDITURES				
General government	1,340,385	215,062	413,650	1,969,097
Public safety	715,508	22,185	-	737,693
Highways and bridges	-	5,000	-	5,000
Health	-	34,828	-	34,828
Sanitation	-	21,269	76,891	98,160
Correction	2,024,381	-	-	2,024,381
Farm	10,585	-	-	10,585
Human services	5,692,917	-	-	5,692,917
Conservation	-	83,950	-	83,950
School districts	-	60,529	-	60,529
County taxes	-	362,559	-	362,559
State education taxes	-	53,559	-	53,559
Debt service:	-	-	-	-
Principal retirement	-	-	-	-
Interest expense	36,576	-	-	36,576
TOTAL EXPENDITURES	9,820,352	858,941	490,541	11,169,834

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT D (CONTINUED)

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General	Unincorporated Places	Other Governmental Funds	Total
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)				
	\$ 8,008,944	\$ 607,350	\$ 30,599	\$ 8,646,893
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Proceeds from capital leases	-	-	-	-
Operating transfers in	10,500	-	-	10,500
Operating transfers out	(6,863,942)	-	(10,500)	(6,874,442)
TOTAL OTHER FINANCING SOURCES (USES)	(6,853,442)	-	(10,500)	(6,863,942)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)				
	1,155,502	607,350	20,099	1,782,951
FUND BALANCE - JANUARY 1				
	2,905,344	1,708,620	271,884	4,885,848
PRIOR PERIOD ADJUSTMENT				
	-	-	-	-
FUND BALANCE - JANUARY 1 (RESTATED)				
	2,905,344	1,708,620	271,884	4,885,848
FUND BALANCE - DECEMBER 31				
	\$ 4,060,846	\$ 2,315,970	\$ 291,983	\$ 6,668,799

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total government funds	\$ 1,782,951
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays.	36,301
--	--------

This is the amount of depreciation expense.	(80,532)
---	----------

This is the amount of gain / (loss) on sale.	(3,443)
--	---------

Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(18,898)
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Revenues that were deferred in the governmental fund statements, that do not provide current financial resources, are reported as revenues in the statement of activities.	26,083
--	--------

Change in net position of governmental activities.	<u>\$ 1,742,462</u>
--	---------------------

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

STATEMENT F

	Berlin Nursing Home	West Stewartstown Nursing Home	Total
ASSETS			
Current assets:			
Cash	\$ 1,200	\$ 3,500	\$ 4,700
Accounts receivable	399,425	502,198	901,623
Due from other governments	276,159	148,761	424,920
Inventories	84,546	29,646	114,192
Prepaid expenses	140,674	67,827	208,501
Total current assets	<u>902,004</u>	<u>751,932</u>	<u>1,653,936</u>
Noncurrent assets:			
Capital assets, net	896,624	2,415,810	3,312,434
Restricted cash	149,064	138,843	287,907
Total noncurrent assets	<u>1,045,688</u>	<u>2,554,653</u>	<u>3,600,341</u>
TOTAL ASSETS	<u>1,947,692</u>	<u>3,306,585</u>	<u>5,254,277</u>
LIABILITIES			
Current liabilities:			
Accounts payable	80,250	68,782	149,032
Accrued expenses	43,490	-	43,490
Accrued payroll	194,784	161,738	356,522
Due to other governments	141,568	103,706	245,274
Bond payable, current portion	-	100,012	100,012
Total current liabilities	<u>460,092</u>	<u>434,238</u>	<u>894,330</u>
Noncurrent liabilities:			
Due to other funds	619,211	560,266	1,179,477
Accrued compensated absences	1,198,744	1,311,958	2,510,702
Bonds payable, less current portion	-	385,738	385,738
Total noncurrent liabilities	<u>1,817,955</u>	<u>2,257,962</u>	<u>4,075,917</u>
TOTAL LIABILITIES	<u>2,278,047</u>	<u>2,692,200</u>	<u>4,970,247</u>
NET POSITION			
Net investment in capital assets	896,624	1,930,060	2,826,684
Restricted	-	-	-
Unrestricted	(1,226,979)	(1,315,675)	(2,542,654)
TOTAL NET POSITION	<u>\$ (330,355)</u>	<u>\$ 614,385</u>	<u>\$ 284,030</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT G

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Berlin Nursing Home	West Stewartstown Nursing Home	Total
OPERATING REVENUES			
Intergovernmental	\$ 987,747	\$ 604,275	\$ 1,592,022
Charges for services	5,446,352	4,510,629	9,956,981
Meal sales	9,429	247,568	256,997
Miscellaneous	2,645	59,269	61,914
TOTAL OPERATING REVENUES	<u>6,446,173</u>	<u>5,421,741</u>	<u>11,867,914</u>
OPERATING EXPENSES			
Administration	893,424	958,976	1,852,400
Dietary	1,079,853	1,257,377	2,337,230
Nursing	5,103,269	4,705,985	9,809,254
Health information	187,745	50,348	238,093
Staff development	52,166	73,060	125,226
Quality management	53,114	60,837	113,951
Plant operations	479,158	500,170	979,328
Laundry	366,271	347,600	713,871
Housekeeping	601,791	478,898	1,080,689
Physicians and consultants	37,369	37,014	74,383
Social services	86,414	58,072	144,486
Physical therapy	158,304	133,184	291,488
Occupational therapy	530	699	1,229
Recreation therapy	322,152	384,883	707,035
Miscellaneous	-	-	-
Depreciation	189,967	215,588	405,555
TOTAL OPERATING EXPENSES	<u>9,611,527</u>	<u>9,262,691</u>	<u>18,874,218</u>
OPERATING INCOME (LOSS)	<u>(3,165,354)</u>	<u>(3,840,950)</u>	<u>(7,006,304)</u>
OTHER INCOME (EXPENSE)			
Interest	-	(21,477)	(21,477)
Transfer in from general fund	3,025,695	3,838,248	6,863,943
TOTAL OTHER INCOME (EXPENSE)	<u>3,025,695</u>	<u>3,816,771</u>	<u>6,842,466</u>
NET INCOME (LOSS)	(139,659)	(24,179)	(163,838)
NET POSITION - JANUARY 1	<u>(190,696)</u>	<u>638,564</u>	<u>447,868</u>
NET POSITION - DECEMBER 31	<u>\$ (330,355)</u>	<u>\$ 614,385</u>	<u>\$ 284,030</u>

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Berlin Nursing Home	West Stewartstown Nursing Home	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 6,470,590	\$ 5,344,957	\$ 11,815,547
Payments to suppliers	(3,758,099)	(3,786,569)	(7,544,668)
Payments to employees	(5,632,479)	(5,128,489)	(10,760,968)
Internal activity - receipt from (payments to) other funds	(47,173)	(25,032)	(72,205)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(2,967,161)</u>	<u>(3,595,133)</u>	<u>(6,562,294)</u>
INVESTING ACTIVITIES:			
Purchase of fixed assets	(57,438)	(124,337)	(181,775)
Deposits to restricted cash	(596)	(151)	(747)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(58,034)</u>	<u>(124,488)</u>	<u>(182,522)</u>
FINANCING ACTIVITIES (NON-CAPITAL)			
Transfer in from general fund	3,025,695	3,838,248	6,863,943
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (NON-CAPITAL)	<u>3,025,695</u>	<u>3,838,248</u>	<u>6,863,943</u>
FINANCING ACTIVITIES (CAPITAL)			
Principal payments on long-term debt	-	(97,150)	(97,150)
Interest payments on short-term debt	-	(21,477)	(21,477)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (CAPITAL)	<u>-</u>	<u>(118,627)</u>	<u>(118,627)</u>
INCREASE (DECREASE) IN CASH	500	-	500
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>700</u>	<u>3,500</u>	<u>4,200</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 1,200</u>	<u>\$ 3,500</u>	<u>\$ 4,700</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT H (CONTINUED)

COUNTY OF COÖS, NEW HAMPSHIRE
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Berlin Nursing Home	West Stewartstown Nursing Home	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(3,165,354)	(3,840,950)	(7,006,304)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	189,967	215,588	405,555
Changes in operating assets and liabilities:			
Accounts receivable and accrued revenue	63,361	(75,775)	(12,414)
Due from other governments	(38,944)	(1,009)	(39,953)
Inventories	(9,475)	6,110	(3,365)
Prepaid expenses	(52,486)	(3,255)	(55,741)
Accounts payable and accrued expenses	37,345	47,231	84,576
Due to other funds	(47,173)	(25,032)	(72,205)
Due to other governments	49,627	36,325	85,952
Accrued compensated absences	5,971	45,634	51,605
	<u>\$ (2,967,161)</u>	<u>\$ (3,595,133)</u>	<u>\$ (6,562,294)</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	<u>\$ -</u>	<u>\$ 21,477</u>	<u>\$ 21,477</u>

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	Berlin Nursing Home			
	Residents' Funds	Sunshine Fund	Residents' Council Fund	Gift and Benefit Fund
ASSETS				
Cash	\$ 49,275	\$ 4,537	\$ 2,648	\$ 4,509
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 49,275</u>	<u>\$ 4,537</u>	<u>\$ 2,648</u>	<u>\$ 4,509</u>
LIABILITIES				
Due to specific governments	-	-	-	-
Due to specific individuals	49,275	4,537	2,648	4,509
TOTAL LIABILITIES	<u>\$ 49,275</u>	<u>\$ 4,537</u>	<u>\$ 2,648</u>	<u>\$ 4,509</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT I (CONTINUED)

COUNTY OF COÖS, NEW HAMPSHIRE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	West Stewartstown Nursing Home			General Jail HOC
	Residents' Funds	Sunshine Fund	Gift and Benefit Fund	Inmate Fund
ASSETS				
Cash	\$ 39,424	\$ 4,318	\$ 9,100	\$ 3,774
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 39,424</u>	<u>\$ 4,318</u>	<u>\$ 9,100</u>	<u>\$ 3,774</u>
LIABILITIES				
Due to specific governments	-	-	-	-
Due to specific individuals	39,424	4,318	9,100	3,774
TOTAL LIABILITIES	<u>\$ 39,424</u>	<u>\$ 4,318</u>	<u>\$ 9,100</u>	<u>\$ 3,774</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT I (CONTINUED)

COUNTY OF COÖS, NEW HAMPSHIRE
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2012

	General			
	Register of	Unincorporated	Corrections	
	Deeds	Places (Grafton	and Inmate	
		County)	Fund	Totals
ASSETS				
Cash	\$ 190,702	\$ 24,303	\$ 22,840	\$ 355,430
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 190,702</u>	<u>\$ 24,303</u>	<u>\$ 22,840</u>	<u>\$ 355,430</u>
LIABILITIES				
Due to specific governments	190,702	24,303	-	215,005
Due to specific individuals	-	-	22,840	140,425
TOTAL LIABILITIES	<u>\$ 190,702</u>	<u>\$ 24,303</u>	<u>\$ 22,840</u>	<u>\$ 355,430</u>

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Coös is a “body corporate” under the authority of the New Hampshire Revised Statute Annotated (RSA) 23:1. The elected County Commissioners are responsible for the day to day operation of the County.

Part 1 - Government-Wide Financial Statements

The statement of net position and statement of activities focuses on the primary government of the County of Coös, New Hampshire as a whole. All governmental funds are included but are presented using the accrual basis of accounting. Fiduciary funds are excluded from these government-wide financial statements.

In 2012, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The new pronouncement required “Net Assets” to be replaced with “Net Position.”

Measurement Focus and Basis of Accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Internal Activity

Amounts reported in the governmental funds as “due to other funds” and “due from other funds” have been eliminated in the statement of net position, except amounts due between the governmental and business-type activities. Any amounts that are “due to” or “due from” the fiduciary funds have been included in the statement of net assets.

Capitalization of Assets

Governmental Funds

Fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. Fixed assets are capitalized if over \$5,000.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Governmental Funds

Fixed assets are depreciated over their useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	20-40 years
Equipment	4-15 years

Part 2 - Fund Financial Statements

Principles Determining Scope of Reporting Entity

The financial statements of the County consist only of the funds and account groups of the County. The County has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories, as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Unincorporated Places - This fund accounts for the various Unincorporated Places within the County. Under New Hampshire RSA 28:7-b, the County Commissioners are designated as the governing body for any Unincorporated Places in the County.

The County has two nonmajor funds.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

The County's Nursing Homes funds account for the activities of the two County Nursing Homes. The funds account for the operation and maintenance of the Nursing Homes, which provide intermediate nursing care to the elderly residents of the County. The Homes are funded through a combination of Medicaid funds from the Federal Government, the State and the County as well as from the private resources of the residents of the Homes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets received by the County and held in the capacity of a trustee, custodian, or agent.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental, trust and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt, which is recognized when due.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

None of the estimates used in preparing the financial statements are considered significant.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

A. Budget Law and Practice

The County commissioners submit, in the previous December, an annual budget to the County Delegation in accordance with the New Hampshire Revised Statutes Annotated. In March, the County Delegation adopts an annual budget for the current calendar year. Supplemental budgets are required for unexpected modifications to the estimated revenues and appropriations. Budgets are prepared on the modified accrual basis of accounting. Unencumbered non-special appropriations lapse at year end. Capital projects funds are carried forward each year until the project is completed or when the bond issue proceeds are totally expended.

B. Budgetary Control

An all inclusive budget is prepared in gross on a line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Within these control levels, the commissioners may transfer appropriations, otherwise the Executive Committee of the County Delegation must approve the transfer. Several revisions were made to the budget during the year.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts receivable.

Due From Other Governments

Due from other governments are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts due from other governments.

Investments

It is the County's policy to state investments at market value at the balance sheet date.

Excess Funds

There is no documented policy on where to hold excess funds.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

For government-wide financial statements, inventories are priced at the lower of cost or market on the first-in, first out basis. For fund financial statements, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables and Payables

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Fund Balance

For governmental funds, the nonspendable fund balances represent amounts that will never convert to cash or will not convert to cash to affect the current period; the restricted fund balances represent the amounts that are restricted by external governments, contributors, or external laws; the committed fund balances represent self-imposed limitations by the County that must be voted on to be established, modified, or rescinded; the assigned fund balances represent intended use of resources such as encumbrances by the Administrator that the Administrator feels is necessary to operate the County; and the unassigned fund balances represent anything that does not fit into the above four classifications.

If expenditures can be applied to either restricted or unrestricted balances, the government's policy is to apply them to restricted balances. If expenditures can be applied to committed, assigned or unassigned, the government's policy is to apply them first to committed balances, then to assigned balances, and any remainder is to be applied to unassigned balances.

Revenues

Tax revenue and other major county revenue sources are susceptible to accrual under the modified accrual basis of accounting. Property tax revenues are collected by the towns and cities in the County in December on an annual calendar year basis.

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 - CASH AND INVESTMENTS

The total amount of the County's cash, as well as the County's investments, consists of the following at December 31, 2012:

Cash	\$ 5,973,441
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Temporary investments are stated at fair value (quoted market price or best available estimate).

Per state statutes, the County Treasurer has custody of all money belonging to the County and shall pay out the same only upon orders of the County Commissioners. The Treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire Public Laws - RSA 383:22 or in solvent banks within the state. Moneys may be deposited in banks outside the state if such banks pledge and deliver to a third party custodian bank or the Federal Reserve Bank collateral security for such deposits, United States government or government agency obligations or State of New Hampshire obligations in value at least equal to the deposits amounts. Per state statutes, whenever the County Treasurer has in custody an excess of funds, which are not immediately needed for the purpose of expenditure, the Treasurer shall, under the annual investment policy adopted with the County Commissioners, invest excess funds in obligations of the United States Government; in the public deposit investment pool established pursuant to New Hampshire Public Laws - RSA 383:22, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire, or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

The receiver of such public funds to be deposited or to be invested in securities shall, prior to acceptance to such funds, provide a collateralization option (represented by exclusively segregated securities defined by the Bank Commissioner as qualifying under New Hampshire Public Laws - RSA 386:57) for such funds in an amount at least equal to the amount to be deposited or invested in securities. The New Hampshire Public Deposit Investment Pool issues a publicly available financial report that may be obtained by visiting www.nhpdip.com.

The total amount of the County's deposits in financial institutions, per the bank statements, at December 31, 2012 was \$5,804,188, of which \$250,000, was covered by federal depository insurance. The remaining deposits were collateralized by pledged assets held by the Federal Reserve Bank in the name of the financial institution.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts receivable at December 31, 2012 is estimated to be:

General Fund	\$	-
Unincorporated places		-
Other governmental		-
Governmental Fund	\$	<u>-</u>

The allowance for uncollectible accounts due from other governments at December 31, 2012 is estimated to be:

General Fund	\$	-
Unincorporated places		-
Other governmental		-
Governmental Fund	\$	<u>-</u>

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/12	Additons	Deletions	Balance 12/31/12
Real estate	\$ 1,331,061	\$ -	\$ -	\$ 1,331,061
Equipment and vehicles	658,281	36,301	(30,989)	663,593
Total capital assets	1,989,342	36,301	(30,989)	1,994,654
Accumulated depreciation	(1,258,898)	(80,532)	27,546	(1,311,884)
Capital assets, net	<u>\$ 730,444</u>	<u>\$ (44,231)</u>	<u>\$ (3,443)</u>	<u>\$ 682,770</u>

Depreciation was charged to governmental functions as follows:

General government	5,881
Public safety	55,095
Farm	2,872
Sanitation	16,684
	<u>\$ 80,532</u>

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/12	Additons	Deletions	Balance 12/31/12
Real estate	6,723,398	81,868	(275,074)	6,530,192
Equipment and vehicles	1,270,295	99,907	(77,881)	1,292,321
Total capital assets	7,993,693	181,775	(352,955)	7,822,513
Less accum. depreciation	(4,457,480)	(405,554)	352,955	(4,510,079)
Capital assets, net	<u>\$ 3,536,213</u>	<u>\$ (223,779)</u>	<u>\$ -</u>	<u>\$ 3,312,434</u>

NOTE 5 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended December 31, 2012, is as follows:

Type	Purpose	Rate	Due Date	Balance at 12/31/11	Issued	Retired	Balance at 12/31/12
TAN	Cash flow	1.09%	12/31/2012	-	10,000,000	10,000,000	-
				<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 - LONG-TERM DEBT

BUSINESS-TYPE ACTIVITIES

The following is a summary of notes outstanding at December 31, 2012:

\$971,500 - 2007 West Stewartstown Nursing Home Addition, 2007 Promissory Note Due in Annual Installments of \$97,150 Through December 2017, plus interest at 3.69%.	485,750
Total notes payable	<u>\$ 485,750</u>

The following is a summary of changes in notes payable:

	Balance 01/01/12	Additions	Deletions	Balance 12/31/12
2007 WSTEW	\$ 582,900	\$ -	\$ (97,150)	\$ 485,750
	<u>\$ 582,900</u>	<u>\$ -</u>	<u>\$ (97,150)</u>	<u>\$ 485,750</u>

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to maturity are as follows:

	Principal	Interest	Total Debt Service
2013	\$ 100,012	\$ 17,924	\$ 117,936
2014	103,702	14,234	117,936
2015	107,529	10,407	117,936
2016	111,497	6,439	117,936
2017	63,010	2,325	65,335
	<u>\$ 485,750</u>	<u>\$ 51,329</u>	<u>\$ 537,079</u>

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 - ACCRUED COMPENSATED ABSENCES

GOVERNMENTAL ACTIVITIES

Summarized below are the accrued vacation and sick leave liabilities at December 31, 2012:

	Balance 01/01/12	Additions	Deletions	Balance 12/31/12
Accrued compensated absences	\$ 426,212	\$ 18,897	\$ -	\$ 445,109
Totals	<u>\$ 426,212</u>	<u>\$ 18,897</u>	<u>\$ -</u>	<u>\$ 445,109</u>

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/12	Additions	Deletions	Balance 12/31/12
Accrued compensated absences	\$ 2,459,097	\$ 51,605	\$ -	\$ 2,510,702
Totals	<u>\$ 2,459,097</u>	<u>\$ 51,605</u>	<u>\$ -</u>	<u>\$ 2,510,702</u>

NOTE 8 - OPERATING LEASES

The County has numerous operating leases for office equipment and office space. Future minimum annual rental payments are as follows:

Operating leases	
2013	\$ 67,343
2014	55,850
2015	22,084
2016	-
Total	<u>\$ 145,277</u>

Operating lease expenditures totaled \$42,130 for the year and were reported as follows: \$29,126 for Public Safety, \$10,904 for Berlin Nursing Homes, and \$2,100 for General Government.

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	Berlin Nursing Home	\$ 619,211
General	W. Stewartstown Nursing Home	560,266
Unincorporated Places	General	1,756,145
Other Governmental	General	163,783
		<u>\$ 3,099,405</u>

Interfund balances represent amounts for pooled cash.

Interfund transfers at December 31, 2012 consisted of the following:

Transfers In:					
	General	Unincorporated Places	Other Governmental Funds	Proprietary Funds	Amount
Transfers Out:					
General	\$ -	\$ -	\$ -	\$ 6,863,942	\$ 6,863,942
Unincorporated Places	-	-	-	-	-
Other Governmental Funds	10,500	-	-	-	10,500
Total	<u>\$ 10,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,863,942</u>	<u>\$ 6,874,442</u>

NOTE 10 - ASSIGNED FUND BALANCE - GENERAL FUND

At December 31, 2012, the general fund assigned fund balances consisted of amounts expected to be paid for building repairs.

NOTE 11 - EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

A. Plan Description

County employees contribute to the New Hampshire Retirement System (NHRS), a contributory defined benefit public employee pension plan that acts as a common investment and administrator for its participants.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 11 - EMPLOYEE BENEFIT PLANS (CONTINUED)

The NHRS provides retirement, annual cost-of-living adjustments, death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire, 03301-8507.

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the NHRS. This year, Group I members contributed 5.0% and Group II members contributed 9.3% of gross earnings. The State of New Hampshire and the County are required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute. The contribution requirements for the County and the State portion of this requirement for the past three fiscal years were:

	2012	2011	2010
County contribution	\$ 713,965	\$ 718,995	\$ 669,453
State contribution	4,038	31,599	53,532
Total requirement	<u>\$ 718,003</u>	<u>\$ 750,594</u>	<u>\$ 722,985</u>

NOTE 12 - POST-RETIREMENT LIFE INSURANCE

Employees who have retired from County service directly into the New Hampshire Retirement System and who have worked for the County for at least ten years of service are eligible for life insurance with a face value of 50% of the policy provided during active employment. The County will pay 100% of the premium for the retiree coverage. The County will not provide life insurance to employees who retire from County service after March 31, 1998.

There are currently sixteen participants in the retiree life insurance benefits plan.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 13 - POST - RETIREMENT HEALTH CARE BENEFITS

1. Employees hired PRIOR to January 1, 1988 (applies to 23 employees at year end) and who, after January 1, 1988 retire directly into and receive benefits from the New Hampshire Retirement System and who have worked as a regular employee of the County for at least 10 years of uninterrupted service will be eligible for a retiree health insurance plan under the following conditions:

a. The employee will be covered by a policy provided by the County with substantially the same coverage as provided to active employees.

b. The County will pay the same amount monthly towards this coverage as it pays for an employee with a single plan. Any additional cost will be paid by the retiree.

2. Employees hired AFTER January 1, 1988 (applies to 10 employees at year end) and who, after January 1, 1988 retire directly into and receive benefits from the New Hampshire Retirement System and who have worked as a regular employee of the County for at least 10 years of uninterrupted service will be eligible for a retiree health insurance plan under the following conditions:

a. The employee will be covered by a policy provided by the County with substantially the same coverage as provided to active employees.

b. The County will pay for coverage based upon the following schedule:

1) For employees who have worked at least ten years of service, the County will pay 50% of the single person contribution made for active employees.

2) For employees who have worked at least fifteen years of service, the County will pay 75% of the single person contribution made for active employees.

3) For employees who have worked at least twenty years of service, the County will pay 100% of the single person contribution made for active employees.

3. Employees hired after May 1, 1992 will not be eligible for a retiree health insurance plan.

There are currently forty-seven participants in the retiree health insurance benefit plan.

COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of three public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivision in the State of New Hampshire are eligible to participate. The pools provide coverage for worker's compensation, unemployment and property liability insurance. As a member of the pools, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. Contributions paid for the fiscal year totaled \$826,099 with no unpaid contributions at year-end. There were no deductible claims for the fiscal year.

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The County participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2012 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15 - JOINT VENTURE

The County has entered into an RSA 53-A cooperative agreement, with a yearly renewable one year term, with the Town of Stewartstown for the purpose of constructing and operating a septage lagoon system. Each member is represented by a director who has one vote. The Town has provided the necessary funds for construction of the system and improvements and maintenance of the road to the site. The County has provided the land for the site for an annual lease of \$1.00.

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 17 - NET POSITION RESTATEMENT

Net position was restated on January 1, 2012 as a result of recording the June 18, 2011 auction of capital assets for the Farm program. The recording of the sale has decreased Capital Assets, net by \$97,897 and decreased Net Position – January 1 by \$97,897.

Net position was restated on January 1, 2012 as a result of recording capital assets that were purchased and recording capital assets that were disposed of during 2011. The recording of the additions and deletions of capital assets has increased Capital Assets, net by \$117,304 and increased Net Position – January 1 by \$117,304.

NOTE 18 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of December 30, 2013, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

SCHEDULE A

COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 14,123,935	\$ 14,123,935	\$ 14,123,935	\$ -
Charges for services	355,000	355,000	441,298	86,298
Corrections	24,600	24,600	23,517	(1,083)
Farm	13,900	13,900	67,763	53,863
Intergovernmental	1,862,350	1,862,350	3,069,911	1,207,561
Interest earned	2,700	2,700	2,492	(208)
Miscellaneous	28,000	28,000	96,142	68,142
TOTAL REVENUES	16,410,485	16,410,485	17,825,058	1,414,573
EXPENDITURES				
Current:				
General government	1,452,675	1,452,675	1,336,147	116,528
Public safety	861,150	861,150	715,508	145,642
Highways and bridges	-	-	-	-
Health	-	-	-	-
Sanitation	-	-	-	-
Correction	2,041,850	2,041,850	2,024,381	17,469
Farm	10,900	10,900	10,585	315
Human services	6,147,800	6,147,800	5,692,917	454,883
Conservation	-	-	-	-
School districts	-	-	-	-
County taxes	-	-	-	-
Debt service:				
Interest expense	95,000	95,000	36,576	58,424
TOTAL EXPENDITURES	10,609,375	10,609,375	9,816,114	793,261
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	5,801,110	5,801,110	8,008,944	2,207,834
OTHER FINANCING SOURCES (USES)				
Prior year surplus utilization	2,340,000	2,340,000	-	(2,340,000)
Bond proceeds	-	-	-	-
Proceeds from capital leases	-	-	-	-
Operating transfers in	10,500	10,500	10,500	-
Operating transfers out	(8,151,610)	(8,151,610)	(6,863,942)	1,287,668
TOTAL OTHER FINANCING SOURCES (USES)	(5,801,110)	(5,801,110)	(6,853,442)	(1,052,332)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	\$ -	\$ -	\$ 1,155,502	\$ 1,155,502

See accompanying independent auditors' report and management's notes to required supplementary information.

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The County is required to have a budget for the General Fund. The County is not required to adopt an annual budget for its special revenue and capital project funds. Budgets for individual special revenue funds are utilized in accordance with the requirements for the grantor agencies.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 17,825,058
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Differences - budget to GAAP:

The proceeds from the on-behalf payment from the State of New Hampshire are a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	<u>4,238</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 17,829,296</u></u>
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	9,816,114
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Differences - budget to GAAP:

The expenditure of the on-behalf payment from the State of New Hampshire is a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	<u>4,238</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 9,820,352</u></u>
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NOTE 3 – OVERSPENT APPROPRIATIONS

There were no material overspent appropriations.

COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – UNINCORPORATED PLACES
YEAR ENDED DECEMBER 31, 2012

	Proposed Budget	Approved Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 456,357	\$ 456,357	\$ 844,534	\$ 388,177
Charges for services	-	-	-	-
Corrections	-	-	-	-
Farm	-	-	-	-
Intergovernmental	597,137	597,137	604,262	7,125
Interest earned	-	-	100	100
Miscellaneous	15,022	15,022	17,395	2,373
TOTAL REVENUES	1,068,516	1,068,516	1,466,291	397,775
EXPENDITURES				
Current:				
General government	269,763	269,763	215,062	54,701
Public safety	42,125	42,125	22,185	19,940
Highways and bridges	5,000	5,000	5,000	-
Health	35,570	35,570	34,828	742
Sanitation	33,300	33,300	21,269	12,031
Correction	-	-	-	-
Farm	-	-	-	-
Human services	-	-	-	-
Conservation	85,450	85,450	83,950	1,500
School districts	98,500	98,500	60,529	37,971
County taxes	318,391	318,391	362,559	(44,168)
State education taxes	180,417	180,417	53,559	126,858
Debt service:				
Interest expense	-	-	-	-
TOTAL EXPENDITURES	1,068,516	1,068,516	858,941	209,575
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	-	-	607,350	607,350
OTHER FINANCING SOURCES (USES)				
Prior year surplus utilization	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from capital leases	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	\$ -	\$ -	\$ 607,350	\$ 607,350

See accompanying independent auditors' report and management's notes to required supplementary information.

**COUNTY OF COÖS, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The County is required to have a budget for the Unincorporated Places. The County is not required to adopt an annual budget for its special revenue and capital project funds. Budgets for individual special revenue funds are utilized in accordance with the requirements for the grantor agencies.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 1,466,291
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Differences - budget to GAAP:

The proceeds from the on-behalf payment from the State of New Hampshire are a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	<u>-</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 1,466,291</u></u>
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	858,941
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Differences - budget to GAAP:

The expenditure of the on-behalf payment from the State of New Hampshire is a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	<u>-</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 858,941</u></u>
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NOTE 3 – OVERSPENT APPROPRIATIONS

There were no material overspent appropriations.

**COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012**

2012-001 Deferred Revenues

Condition: Control systems did not prevent, or detect and correct a material misstatement that was identified by the auditor. Specifically, management did not defer uncollected property taxes revenue to the current reporting period.

Criteria: Per Generally Accepted Accounting Principles, GASB Code Sec. P70.104, Current Recognition, the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was levied, provided the “available” criteria are met. “Available” means collected within the current period or expected to be collected soon enough thereafter, where such time thereafter shall not exceed 60 days.

Cause: Management does not have policy to have year end deferred revenue adjustments reviewed by the Director of Finance.

Effect: A material adjustment was posted by the auditor to decrease revenues and increase deferred revenues.

Recommendation: Implement a policy that requires the Director of Finance to review all deferred revenue posting at year end to ensure all are in accordance with GAAP.

Response: Acknowledged

Action Taken: Coos County will implement a policy that requires the Director of Finance to review all deferred revenue posting at year end to ensure all are in accordance with GAAP.

2012-002 Fixed Assets

Condition: Control systems did not prevent, or detect and correct a material misstatement that was identified by the auditor. Specifically, management did not record purchases, sales, or disposals of fixed assets in the prior year.

Criteria: Per Generally Accepted Accounting Principles, GASB Code Sec. 1400.114, Reporting General Capital Assets, general capital assets are associated with and generally arise from governmental activities. They should not be reported as assets in the governmental funds but should be reported in the governmental activities column in the government-wide statement of net position.

Cause: Management does not have a policy to have fixed asset purchases, sales, and disposals reviewed by the Director of Finance.

Effect: A material adjustment was posted by the auditor to increase capital assets and increase net position.

Response: Acknowledged

Action Taken: Coos County will implement a policy to have fixed asset purchases, sales and disposals reviewed by the Director of Finance.

**COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012**

2012-003 Internal Control Document

Condition: The County does not have a single, written, comprehensive Internal Control Document to address the five components of internal control over financial reporting which include; control environment, risk assessment, information and communication, monitoring activities, and activity-level controls.

Criteria: The *Internal Control - Integrated Framework*, published by Committee of Sponsoring Organizations of the Treadway Commission (COSO), requires internal control communication of reporting objectives, control components, principles, and policies and procedures.

Cause: Management has not developed an Internal Control Document.

Effect: This condition creates higher risk of material misstatements, fraud, and non compliance with contracts.

Recommendation: Management should develop an Internal Control Document to include all five components of internal control, and obtain Board Approval for it.

Response: Acknowledged

Action Taken: Coos County management will develop an Internal Control Document to include all five components of internal control, and will present to the Commissioners for approval for it.

2012-004 Monitoring Activities – Internal

Condition: The County has not selected, developed, or performed ongoing and/or separate internal evaluations to ascertain whether the components of internal control are present and functioning. Further, the County has not evaluated nor communicated control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of commissioners, as appropriate.

Criteria: COSO requires monitoring of internal controls which is essential to ensuring that internal controls are operating effectively and as intended.

Cause: No documented policy.

Effect: This condition creates higher risk of material misstatements, fraud, and non compliance with contracts.

Recommendation: The Board should implement a policy that requires internal monitoring of internal control throughout the year and require formal written reporting of the results.

Response: Acknowledged

Action Taken: The Board will consider implementing a policy that requires internal monitoring of internal control throughout the year and require formal written reporting of the results.

**COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012**

2012-005 Fraud Risk Management Document

Condition: The County does not have a single, written, comprehensive Fraud Risk Management Document to address how it identifies and assesses fraud risks, what it is doing to better prevent fraud and detect it sooner, and the process that is in place to investigate fraud and take corrective action.

Criteria: COSO requires an organization to specify its objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

Cause: Management has not developed a Fraud Risk Management Document.

Effect: This condition creates higher risk of material misstatements due to fraud.

Recommendation: Management should develop a Fraud Risk Management Document to include all three aspects of fraud risk management, and obtain Board approval for it.

Response: Acknowledged.

Action Taken: Management will develop a Fraud Risk Management Document to include all three aspects of fraud risk management and present to Board for approval of it.