

COUNTY OF COÖS, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2015

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Coös, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental 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, 2015, and related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the County of Coös, New Hampshire, as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the information appearing on pages 39 through 44 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering that County's internal control over financial reporting and compliance.

Melanson Heath

June 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Coös, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

The governmental activities include general government, public safety, corrections, human services, cooperative extension, economic development, highways and streets, sanitation, conservation, school districts, West Stewartstown nursing home, and Berlin nursing home.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows

of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements provide separate information for the General Fund and Unincorporated Places Fund, which are considered to be major funds.

An annual appropriated budget is adopted for all County funds. Budgetary comparison statements have been provided in order to demonstrate compliance with these budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(2,822,368) (i.e., net position), a change of \$(377,393) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,061,090, a change of \$134,604 in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$6,035,614, a change of \$(30,630) in comparison to the prior year.

- Total long-term debt (i.e., notes payable) at the close of the current fiscal year was \$81,000, a change of \$(9,000) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 9,899,904	\$ 9,978,524
Noncurrent assets	4,018,994	4,095,033
Deferred outflows	995,471	-
Total assets and deferred outflows	<u>14,914,369</u>	<u>14,073,557</u>
Current liabilities	3,424,000	3,504,476
Noncurrent liabilities	13,543,877	2,511,880
Deferred inflows	768,860	-
Total liabilities and deferred inflows	<u>17,736,737</u>	<u>6,016,356</u>
Net position:		
Net investment in capital assets	3,937,994	4,005,033
Restricted	2,025,476	1,860,242
Unrestricted	<u>(8,785,838)</u>	<u>2,191,926</u>
Total net position	<u>\$ (2,822,368)</u>	<u>\$ 8,057,201</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,794,224	\$ 10,681,390
Operating grants and contributions	3,429,815	2,390,667
General revenues:		
County taxes, net	13,444,974	13,515,776
Property taxes	400,108	329,245

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CHANGE IN NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Licenses and permits	30,041	33,680
Penalties, interest, and other taxes	314,948	345,978
Grants and contributions not restricted to specific programs	2,431,542	2,378,509
Payment in lieu of taxes	881,624	871,484
Investment income	5,147	4,122
Miscellaneous	<u>268,878</u>	<u>240,466</u>
Total revenues	32,001,301	30,791,317
Expenses:		
General government	1,293,487	1,316,515
Public safety	984,174	991,685
Corrections	2,229,583	2,243,136
Human services	6,099,858	5,926,872
Cooperative extension	220,026	209,434
Economic development	958,087	43,491
Highways and streets	5,000	5,000
Health and welfare	465	1,267
Sanitation	27,338	25,910
Conservation	75,000	75,000
School districts	12,677	56,160
West Stewartstown nursing home	10,019,386	10,166,593
Berlin nursing home	10,427,664	9,878,060
Interest	<u>25,949</u>	<u>18,268</u>
Total expenses	<u>32,378,694</u>	<u>30,957,391</u>
Change in net position	(377,393)	(166,074)
Net position - beginning of year	<u>(2,444,975) *</u>	<u>8,223,275</u>
Net position - end of year	<u>\$ (2,822,368)</u>	<u>\$ 8,057,201</u>

*Restated – see footnote 19

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(2,822,368), a change of \$(377,393) from the prior year.

The largest portion of net position, \$3,937,994, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, equipment and vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,025,476, represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(377,393). Key elements of this change are as follows:

<u>Operating Results:</u>	
General fund	\$ (30,630)
Unincorporated places fund	188,080
Nonmajor governmental funds	<u>(22,846)</u>
Subtotal operating results	134,604
Purchase of capital assets, net	461,236
Depreciation expense in excess of principal debt service	(528,275)
Change in compensated absence liability	(171,315)
Change in net OPEB obligation	(578,933)
Change in net pension liability	(702,714)
Change in deferred outflows of resources	199,038
Change in deferred inflows of resources	<u>808,966</u>
Total	\$ <u><u>(377,393)</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned

fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,061,090, a change of \$134,604 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (30,630)
Unincorporated places fund revenues in excess of expenditures	188,080
Nonmajor governmental funds expenditures in excess of revenues	<u>(22,846)</u>
Total	<u>\$ 134,604</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$700,744, while total fund balance was \$6,035,614. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 700,744	\$ 516,742	\$ 184,002	2.2%
Total fund balance	\$ 6,035,614	\$ 6,066,244	\$ (30,630)	18.6%

The total fund balance of all funds changed by \$134,604 during the current fiscal year. Key factors related to this change are as follows:

Revenues in excess of (less than) budget:	
General fund	\$ 1,597,631
Grants fund	(561,638)
Transfer station fund	375
Recycling center fund	<u>46,061</u>
Subtotal revenues in excess of budget	1,082,429
Expenditures less than (greater than) appropriations:	
General fund	2,027,522
Grants fund	561,776
Transfer station fund	641
Recycling center fund	<u>(591)</u>
Subtotal expenditures less than appropriations	2,589,348

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Unincorporated places budgetary results	144,915
Use of fund balance as a funding source:	
General fund	(3,647,003)
Recycling center fund	(68,450)
Unincorporated places fund	(50,840)
Unincorporated places NH DRA special adjustment	94,106
Other timing differences	(9,901)
	<hr/>
Total all funds	\$ <u>134,604</u>

E. BUDGETARY HIGHLIGHTS

There were no changes to the original budget during 2015.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$4,018,994 (net of accumulated depreciation), a change of \$(76,039) from the prior year. This investment in capital assets includes land, land improvements, buildings and improvements, equipment and vehicles, and construction in progress.

Additional information on capital assets can be found in the notes to financial statements.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding was \$81,000, all of which was backed by the full faith and credit of the County.

Additional information on long-term debt can be found in the notes to financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County of Coös, New Hampshire's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

County of Coös, New Hampshire
P.O. Box 10
West Stewartstown, New Hampshire 03597

COUNTY OF COÖS, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 8,099,630
Receivables:	
Property taxes	97,471
Accounts	782,886
Intergovernmental	696,747
Prepaid expenses	97,728
Inventory	125,442
Total current assets	9,899,904
Noncurrent:	
Capital Assets:	
Land	97,519
Construction in progress	26,875
Capital assets, net of accumulated depreciation	3,894,600
Total noncurrent assets	4,018,994
Deferred Outflows of Resources	995,471
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,914,369
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	1,501,995
Accrued payroll and related liabilities	279,851
Other liabilities	56,968
Current portion of noncurrent liabilities:	
Notes payable	9,000
Compensated absences	1,576,186
Total current liabilities	3,424,000
Noncurrent:	
Notes payable	72,000
Compensated absences	1,837,779
Net OPEB obligation	1,210,601
Net pension liability	10,423,497
Total noncurrent liabilities	13,543,877
Deferred Inflows of Resources	768,860
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	17,736,737
NET POSITION	
Net investment in capital assets	3,937,994
Restricted	2,025,476
Unrestricted	(8,785,838)
TOTAL NET POSITION	\$ (2,822,368)

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
	Expenses			
Governmental Activities:				
General government	\$ 1,293,487	\$ 321,893	\$ 44,711	\$ (926,883)
Public safety	984,174	303,214	50,372	(630,588)
Corrections	2,229,583	14,780	-	(2,214,803)
Human services	6,099,858	-	-	(6,099,858)
Cooperative extension	220,026	-	-	(220,026)
Economic development	958,087	-	908,225	(49,862)
Highways and streets	5,000	-	-	(5,000)
Health and welfare	465	-	-	(465)
Sanitation	27,338	-	-	(27,338)
Conservation	75,000	-	-	(75,000)
School districts	12,677	-	-	(12,677)
West Stewartstown nursing home	10,019,386	4,532,008	911,450	(4,575,928)
Berlin nursing home	10,427,664	5,622,329	1,515,057	(3,290,278)
Interest	25,949	-	-	(25,949)
Total Governmental Activities	\$ <u>32,378,694</u>	\$ <u>10,794,224</u>	\$ <u>3,429,815</u>	(18,154,655)
General Revenues:				
				13,444,974
County taxes, net				400,108
Property taxes				30,041
Licenses and permits				314,948
Penalties, interest, and other taxes				
Grants and contributions not restricted to specific programs				2,431,542
Payment in lieu of taxes				881,624
Investment income				5,147
Miscellaneous				<u>268,878</u>
Total general revenues				<u>17,777,262</u>
Change in Net Position				(377,393)
Net Position:				
Beginning of year, as restated				<u>(2,444,975)</u>
End of year				\$ <u><u>(2,822,368)</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2015

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 6,243,178	\$ 1,733,986	\$ 122,466	\$ 8,099,630
Receivables:				
Property taxes	-	97,471	-	97,471
Accounts	754,001	27,130	1,755	782,886
Intergovernmental	646,682	-	50,065	696,747
Prepaid expenses	96,124	-	1,604	97,728
Inventory	125,442	-	-	125,442
TOTAL ASSETS	\$ 7,865,427	\$ 1,858,587	\$ 175,890	\$ 9,899,904
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,500,784	\$ -	\$ 1,211	\$ 1,501,995
Accrued payroll and related liabilities	279,851	-	-	279,851
Other liabilities	49,178	7,790	-	56,968
TOTAL LIABILITIES	1,829,813	7,790	1,211	1,838,814
Fund Balances:				
Nonspendable	221,566	-	1,604	223,170
Restricted	390,242	1,850,797	173,075	2,414,114
Committed	572,175	-	-	572,175
Assigned	4,150,887	-	-	4,150,887
Unassigned	700,744	-	-	700,744
TOTAL FUND BALANCES	6,035,614	1,850,797	174,679	8,061,090
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,865,427	\$ 1,858,587	\$ 175,890	\$ 9,899,904

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

Total governmental fund balances	\$ 8,061,090
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,018,994
• Deferred outflows from net pension liability	995,471
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(81,000)
Compensated absences	(3,413,965)
Net OPEB obligation	(1,210,601)
Net pension liability	(10,423,497)
• Deferred inflows from net pension liability	<u>(768,860)</u>
Net position of governmental activities	\$ <u><u>(2,822,368)</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	General <u>Fund</u>	Unincorporated Places <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
County taxes	\$ 14,339,928	\$ -	\$ -	\$ 14,339,928
Property taxes	-	400,108	-	400,108
Licenses and permits	-	30,041	-	30,041
Penalties, interest, and other taxes	-	314,948	-	314,948
West Stewartstown nursing home	5,443,458	-	-	5,443,458
Berlin nursing home	7,137,386	-	-	7,137,386
Charges for services	588,812	-	51,075	639,887
Intergovernmental	2,495,367	31,258	908,225	3,434,850
Payment in lieu of taxes	242,296	639,328	-	881,624
Investment income	4,837	210	100	5,147
Miscellaneous	<u>222,771</u>	<u>3,715</u>	<u>45,961</u>	<u>272,447</u>
Total Revenues	30,474,855	1,419,608	1,005,361	32,899,824
Expenditures:				
Current:				
General government	1,077,098	134,659	-	1,211,757
Public safety	818,158	69,302	120,120	1,007,580
Corrections	2,224,907	-	-	2,224,907
Human services	6,099,858	-	-	6,099,858
Cooperative extension	214,000	-	-	214,000
Economic development	50,000	-	908,087	958,087
Highways and streets	-	5,000	-	5,000
Health and welfare	-	465	-	465
Sanitation	-	27,338	-	27,338
Conservation	-	75,000	-	75,000
County taxes	-	894,954	-	894,954
School districts	-	12,677	-	12,677
West Stewartstown nursing home	9,477,819	-	-	9,477,819
Berlin nursing home	10,353,384	-	-	10,353,384
Capital outlay	167,445	-	-	167,445
Debt service:				
Principal	-	9,000	-	9,000
Interest	<u>22,816</u>	<u>3,133</u>	<u>-</u>	<u>25,949</u>
Total Expenditures	<u>30,505,485</u>	<u>1,231,528</u>	<u>1,028,207</u>	<u>32,765,220</u>
Excess (deficiency) of revenues over expenditures	(30,630)	188,080	(22,846)	134,604
Fund Equity, at Beginning of Year	<u>6,066,244</u>	<u>1,662,717</u>	<u>197,525</u>	<u>7,926,486</u>
Fund Equity, at End of Year	<u>\$ 6,035,614</u>	<u>\$ 1,850,797</u>	<u>\$ 174,679</u>	<u>\$ 8,061,090</u>

The accompanying notes are an integral part of these 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

FOR THE YEAR ENDED DECEMBER 31, 2015

Net changes in fund balances - Total governmental funds	\$ 134,604
<ul style="list-style-type: none"> Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital purchases, net	461,236
Depreciation	(537,275)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of notes payable	9,000
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 	
Compensated absences	(171,315)
Net OPEB obligation	(578,933)
GASB 68 net pension liability changes:	
Net pension liability	(702,714)
Deferred outflows of resources	199,038
Deferred inflows of resources	<u>808,966</u>
Change in net position of governmental activities	\$ <u>(377,393)</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>272,980</u>
Total Assets	\$ <u><u>272,980</u></u>
<u>LIABILITIES</u>	
Due to others	\$ <u>272,980</u>
Total Liabilities	\$ <u><u>272,980</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF COÖS, NEW HAMPSHIRE

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the County of Coös, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers all property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *Unincorporated Places 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 *Agency Fund* is used to account for money held by the County on behalf of others (e.g., inmate funds, patient funds, and Unincorporated Place of Livermore in Grafton County).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method.

F. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment and vehicles, and construction in progress, are reported in the government- wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the nursing homes, where assets are capitalized at \$500 or more with useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	8 - 10
Building and improvements	5 - 40
Equipment and vehicles	3 - 15

G. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The County's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.

- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., the County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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.

The Unincorporated Places budget is submitted by the County Commissioners to the County Delegation for approval. Approved budgets are then reported to the State of New Hampshire on the statement of appropriation forms in order to establish the current property tax rate.

B. Budgetary Basis

The final appropriations appearing on the “Budget and Actual” pages of the required supplemental information represent the final amended budgets after all transfers and supplemental appropriations.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. RSA 29:1, II states, “The amount of collected funds on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus”. The County’s deposit policy states that safety of principal is the primary investment objective and that each investment transaction shall seek to first ensure that losses are avoided.

As of December 31, 2015, \$1,113,060 of the County’s bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Taxes Receivable

The Unincorporated Places Tax Collector bills property taxes annually in November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are typically due by December 1st or 30 days from the date of issue. Delinquent accounts are charged 12% interest. In the next year, a lien is recorded on delinquent property taxes at the Coös County Registry of Deeds. The County purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the County will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The County taxes assessed to the Unincorporated Places are eliminated on the government-wide financial statements. At December 31, 2015, taxes receivable consist of 2015 property taxes.

5. Accounts Receivable

This balance primarily represents amounts owed to the County for nursing home residents' daily room charges during 2015.

6. Intergovernmental Receivables

This balance primarily represents amounts due from the State of New Hampshire for MQIP supplemental payments.

7. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 464	\$ 81	\$ -	\$ 545
Buildings and improvements	7,078	108	(25)	7,161
Equipment and vehicles	<u>2,252</u>	<u>247</u>	<u>(48)</u>	<u>2,451</u>
Total capital assets, being depreciated	9,794	436	(73)	10,157
Less accumulated depreciation for:				
Land improvements	(338)	(28)	-	(366)
Buildings and improvements	(4,132)	(264)	23	(4,373)
Equipment and vehicles	<u>(1,327)</u>	<u>(245)</u>	<u>48</u>	<u>(1,524)</u>
Total accumulated depreciation	<u>(5,797)</u>	<u>(537)</u>	<u>71</u>	<u>(6,263)</u>
Total capital assets, being depreciated, net	3,997	(101)	(2)	3,894
Capital assets, not being depreciated:				
Land	98	-	-	98
Construction in progress	<u>-</u>	<u>27</u>	<u>-</u>	<u>27</u>
Total capital assets, not being depreciated	<u>98</u>	<u>27</u>	<u>-</u>	<u>125</u>
Governmental activities capital assets, net	<u>\$ 4,095</u>	<u>\$ (74)</u>	<u>\$ (2)</u>	<u>\$ 4,019</u>

Depreciation expense was charged to functions of the County as follows (in thousands):

Governmental Activities:	
General government	\$ 23
Public safety	68
Corrections	33
Cooperative extension	4
Nursing homes	<u>409</u>
Total depreciation expense - governmental activities	\$ <u>537</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of assets that are applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of the deferred outflows of resources balance as of December 31, 2015:

	Governmental <u>Activities</u>
Changes in proportion and differences between pension contributions and proportionate share of pension contributions	\$ 142,957
Pension contributions subsequent to the measurement date	<u>852,514</u>
Total	\$ <u>995,471</u>

9. Accounts Payable

Accounts payable represents 2015 expenditures paid after December 31, 2015.

10. Anticipation Notes Payable

The following summarizes anticipation notes payable activity during 2015:

	Issue Amount	Issue Date	Interest Rate	Balance Beginning of Year	Advances	Repayments	Balance End of Year
Tax anticipation	\$ 10,000,000	01/30/15	1.34%	\$ <u>-</u>	\$ <u>5,700,000</u>	\$ <u>(5,700,000)</u>	\$ <u>-</u>

11. Long-Term Debt

A. Notes Payable

The County has entered into agreements to provide funds for the construction of major land improvements. At December 31, 2015, notes payable outstanding were as follows:

	Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/15
<u>Governmental Activities:</u>			
Wentworth Location Rip Rap Project	09/30/24	2.41%	\$ 81,000
Total Governmental Activities			\$ 81,000

B. Future Debt Service

The annual payments to retire notes payable as of December 31, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 9,000	\$ 1,952	\$ 10,952
2017	9,000	1,735	10,735
2018	9,000	1,518	10,518
2019	9,000	1,301	10,301
2020	9,000	1,085	10,085
2021 - 2024	36,000	2,169	38,169
Total	\$ 81,000	\$ 9,760	\$ 90,760

The Unincorporated Places Fund has been designated as the source that will repay the long-term debt outstanding as of December 31, 2015.

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/15	Additions	Reductions	Total Balance 12/31/15	Less Current Portion	Equals Long-Term Portion 12/31/15
<u>Governmental Activities</u>						
Notes payable	\$ 90	\$ -	\$ (9)	\$ 81	\$ (9)	\$ 72
Compensated absences	3,243	171	-	3,414	(1,576)	1,838
Net OPEB obligation	632	972	(393)	1,211	-	1,211
Net pension liability	9,721	702	-	10,423	-	10,423
Totals	\$ 13,686	\$ 1,845	\$ (402)	\$ 15,129	\$ (1,585)	\$ 13,544

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of the deferred inflows of resources balance as of December 31, 2015:

	<u>Governmental Activities</u>
Differences between expected and actual pension experience	\$ 228,734
Net difference between projected and actual pension investment earnings	278,581
Changes in proportion and differences between pension contributions and proportionate share of pension contributions	<u>261,545</u>
Total	\$ <u><u>768,860</u></u>

13. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

14. Fund Balances

The following is a summary of fund balances at December 31, 2015:

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 96,124	\$ -	\$ 1,604	\$ 97,728
Inventory	<u>125,442</u>	<u>-</u>	<u>-</u>	<u>125,442</u>
Total Nonspendable	221,566	-	1,604	223,170
Restricted:				
Decommission fund	338,062	-	-	338,062
Deeds surcharge account	19,405	-	-	19,405
Agrimark equity investment	32,775	-	-	32,775
Unincorporated places	-	1,850,797	-	1,850,797
Recycling center	-	-	113,007	113,007
Transfer station	-	-	59,931	59,931
Unexpended grant funds	<u>-</u>	<u>-</u>	<u>137</u>	<u>137</u>
Total Restricted	390,242	1,850,797	173,075	2,414,114
Committed:				
Sick pay reserve	338,304	-	-	338,304
Facility reserve	158,256	-	-	158,256
Vehicle reserve	75,055	-	-	75,055
Patient unclaimed funds (RSA 151-A:15)	400	-	-	400
Security deposits - electronic monitoring	<u>160</u>	<u>-</u>	<u>-</u>	<u>160</u>
Total Committed	572,175	-	-	572,175
Assigned:				
Encumbrances	12,200	-	-	12,200
Water system upgrade	393,000	-	-	393,000
Use of fund balance for subsequent year budget	<u>3,745,687</u>	<u>-</u>	<u>-</u>	<u>3,745,687</u>
Total Assigned	4,150,887	-	-	4,150,887
Unassigned:				
Remaining fund balance	<u>700,744</u>	<u>-</u>	<u>-</u>	<u>700,744</u>
Total Unassigned	700,744	-	-	700,744
Total Fund Balances	<u>\$ 6,035,614</u>	<u>\$ 1,850,797</u>	<u>\$ 174,679</u>	<u>\$ 8,061,090</u>

15. **Post-Employment Healthcare Benefits**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the County provides post-employment healthcare benefits for retired employees through the County's plan. As of January 1, 2014, the actuarial valuation date, 56 retirees and 270 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The County provides medical insurance to retirees and their covered dependents. All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute up to 100% of the cost of the health plan based upon retirees' hire date and years of service at retirement. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. The County contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The County's 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2015, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of January 1, 2014.

Annual Required Contribution (ARC)	\$ 983,635
Interest on net OPEB obligation	25,267
Adjustment to ARC	<u>(36,534)</u>
Annual OPEB cost	972,368
Contributions made	<u>(393,435)</u>
Increase in net OPEB obligation	578,933
Net OPEB obligation - beginning of year	<u>631,668</u>
Net OPEB obligation - end of year	<u>\$ 1,210,601</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 972,368	40%	\$ 1,210,601
2014	\$ 956,693	34%	\$ 631,668

The County's net OPEB obligation as of December 31, 2015 is recorded as "Net OPEB obligation" in the Statement of Net Position.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 14,194,464
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,194,464</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 10,208,222</u>
UAAL as a percentage of covered payroll	<u>139%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual

results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the County has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual health-care cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level dollar amount over 30 years, on an open amortization period for pay-as-you-go. This has been calculated at a rate of 4.0% for pay-as-you-go.

16. New Hampshire Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political

subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS' annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers.

The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 26.38% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2015 were \$988,508, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At December 31, 2015, the County reported a liability of \$10,423,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the County's proportion was .25897326 percent.

At the most recent measurement date of June 30, 2015, the County's proportion was .26311817 percent, which was an increase of .00414491 percent from its previous year proportion.

For the year ended December 31, 2015, the County recognized pension expense of \$633,520. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 228,734
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	278,581
Changes in proportion and differences between contributions and proportionate share of pension contributions	142,957	261,545
Contributions subsequent to the measurement date	852,514	-
Total	<u>\$ 995,471</u>	<u>\$ 768,860</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (611,867)
2017	240,647
2018	240,647
2019	(103,729)
2020	7,691
Total	<u>\$ (226,611)</u>

Actuarial assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	<u>7.50</u>	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	<u>7.00</u>	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	<u>5.00</u>	2.75%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 13,721,180	\$ 10,423,497	\$ 7,612,204

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

18. 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; and natural disasters for which the County carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

19. Beginning Net Position Restatement

The beginning (January 1, 2015) net position of the County has been restated as follows:

	Governmental <u>Activities</u>
As previously reported	\$ 8,057,201
GASB 68 implementation	<u>(10,502,176)</u>
As restated	<u><u>\$ (2,444,975)</u></u>

20. Subsequent Events

On February 10, 2016, the County issued a \$10,000,000 tax anticipation note with a maturity date of December 31, 2016 and an interest rate of 1.54%.

COUNTY OF COÖS, NEW HAMPSHIRE

BUDGETED COUNTY FUNDS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
General Fund:				
County taxes	\$ 14,339,928	\$ 14,339,928	\$ 14,339,928	\$ -
West Stewartstown nursing home	5,418,920	5,418,920	5,443,458	24,538
Berlin nursing home	6,690,610	6,690,610	7,137,386	446,776
Charges for services	532,730	532,730	588,812	56,082
Intergovernmental	1,660,000	1,660,000	2,495,367	835,367
Payment in lieu of taxes	206,336	206,336	242,296	35,960
Investment income	3,700	3,700	4,837	1,137
Miscellaneous	25,000	25,000	222,771	197,771
Total General Fund	28,877,224	28,877,224	30,474,855	1,597,631
Other Funds:				
Grants	1,469,863	1,469,863	908,225	(561,638)
Transfer station	26,000	26,000	26,375	375
Recycling center	24,700	24,700	70,761	46,061
Total Revenues	30,397,787	30,397,787	31,480,216	1,082,429
Expenditures:				
General Fund:				
General government	1,172,630	1,172,630	1,089,298	83,332
Public safety	997,120	997,120	818,158	178,962
Corrections	2,334,975	2,334,975	2,202,907	132,068
Human services	6,726,130	6,726,130	6,099,858	626,272
Cooperative extension	230,252	230,252	214,000	16,252
Economic development	50,000	50,000	50,000	-
West Stewartstown nursing home	10,214,020	10,214,020	9,477,819	736,201
Berlin nursing home	10,589,210	10,589,210	10,353,384	235,826
Capital outlay	186,050	186,050	167,445	18,605
Debt service:				
Interest	22,820	22,820	22,816	4
Total General Fund	32,523,207	32,523,207	30,495,685	2,027,522
Other Funds:				
Grants	1,469,863	1,469,863	908,087	561,776
Transfer station	27,020	27,020	26,379	641
Recycling center	93,150	93,150	93,741	(591)
Total Expenditures	34,113,240	34,113,240	31,523,892	2,589,348
Excess (deficiency) of revenues over expenditures before other financing sources	(3,715,453)	(3,715,453)	(43,676)	3,671,777
Other Financing Sources:				
Use of fund balance - reduce taxes	3,382,003	3,382,003	3,382,003	-
Use of fund balance - 53rd payroll	265,000	265,000	265,000	-
Use of fund balance - recycling center	68,450	68,450	68,450	-
Total Other Financing Sources	3,715,453	3,715,453	3,715,453	-
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ 3,671,777	\$ 3,671,777

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

UNINCORPORATED PLACES

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>		
Revenues:				
Property taxes	\$ 400,209	\$ 400,209	\$ 400,209	\$ -
Licenses and permits	24,200	24,200	30,041	5,841
Penalties, interest, and other taxes	314,035	314,035	314,948	913
Intergovernmental	20,050	20,050	31,258	11,208
Payment in lieu of taxes	618,621	618,621	639,328	20,707
Investment income	-	-	210	210
Miscellaneous	-	-	3,715	3,715
Total Revenues	1,377,115	1,377,115	1,419,709	42,594
Expenditures:				
General government	212,721	212,721	134,659	78,062
Public safety	98,400	98,400	69,302	29,098
Highways and streets	8,000	8,000	5,000	3,000
Health and welfare	1,000	1,000	465	535
Sanitation	29,550	29,550	27,338	2,212
Conservation	75,600	75,600	75,000	600
County taxes	894,954	894,954	894,954	-
School districts	3,124	3,124	12,677	(9,553)
Debt service:				
Principal	10,000	10,000	9,000	1,000
Interest	500	500	3,133	(2,633)
Total Expenditures	1,333,849	1,333,849	1,231,528	102,321
Excess (deficiency) of revenues over expenditures before other financing sources	43,266	43,266	188,181	144,915
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	50,840	50,840	50,840	-
NH DRA special adjustment	(94,106)	(94,106)	(94,106)	-
Total Other Financing Sources (Uses)	(43,266)	(43,266)	(43,266)	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 144,915	\$ 144,915

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

Notes to Required Supplementary Information

Budget/GAAP Reconciliation

The budgetary data for the general fund, grants fund, transfer station fund, recycling center fund, and unincorporated places fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>Budgeted County Funds*</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures (GAAP Basis):		
General fund	\$ 30,474,855	\$ 30,505,485
Nonmajor governmental funds	<u>1,005,361</u>	<u>1,028,207</u>
Subtotal (GAAP Basis)	31,480,216	31,533,692
Reverse beginning of year appropriation carryforwards from expenditures	-	(22,000)
Record current year appropriation carryforwards	<u>-</u>	<u>12,200</u>
Budgetary Basis	<u>\$ 31,480,216</u>	<u>\$ 31,523,892</u>

*General fund and nonmajor governmental funds.

<u>Unincorporated Places</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures - (GAAP Basis)	\$ 1,419,608	\$ 1,231,528
Adjust tax revenue to accrual basis	<u>101</u>	<u>-</u>
Budgetary Basis	<u>\$ 1,419,709</u>	<u>\$ 1,231,528</u>

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2015

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
1/1/2014	\$ -	\$ 14,194,464	\$ 14,194,464	0%	\$ 10,208,222	139%

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

December 31, 2015

(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.26311817%
Proportionate share of the net pension liability for the most recent measurement date	\$ 10,423,497
Covered-employee payroll for the most recent measurement date	\$ 7,401,935
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.82%
Plan fiduciary net position as a percentage of the total pension liability	65.47%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

SCHEDULE OF CONTRIBUTIONS

December 31, 2015

(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current year	\$ 988,508
Contributions in relation to the contractually required contribution	<u>(988,508)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current year	\$ 7,597,082
Contributions as a percentage of covered-employee payroll	13.01%

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