

**COUNTY OF COÖS, NEW HAMPSHIRE**

Annual Financial Statements

For the Year Ended December 31, 2016

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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, 2016, 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. 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, 2016, 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**

### *Emphasis of Matter*

As discussed in Note 12 to the financial statements, the County did not obtain a new actuarial valuation to calculate its net OPEB obligation on the government-wide financial statements as required under Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the information appearing on pages 37 through 42 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 stand-

ards 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.

*Melanson Heath*

July 28, 2017

## **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, 2016.

### **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, liabilities, and deferred outflows/inflows of resources, with the difference 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 the County'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 County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County 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 \$(5,483,327) (i.e., net position), a change of \$(2,660,959) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,277,765, a change of \$(783,325) in comparison to the prior year.
- At the end of the current fiscal year, the fund balance for the General Fund was \$5,108,090, a change of \$(927,524) in comparison to the prior year.

- Total long-term debt (i.e., notes payable) at the close of the current fiscal year was \$601,470, a change of \$520,470 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**

	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 8,897,743	\$ 9,899,904
Noncurrent assets	4,396,708	4,018,994
Deferred outflows	<u>3,875,515</u>	<u>995,471</u>
Total assets and deferred outflows	17,169,966	14,914,369
Current liabilities	3,375,327	3,424,000
Noncurrent liabilities	19,089,500	13,543,877
Deferred inflows	<u>188,466</u>	<u>768,860</u>
Total liabilities and deferred inflows	22,653,293	17,736,737
Net position:		
Net investment in capital assets	3,795,238	3,937,994
Restricted	2,169,675	2,025,476
Unrestricted	<u>(11,448,240)</u>	<u>(8,785,838)</u>
Total net position	\$ <u>(5,483,327)</u>	\$ <u>(2,822,368)</u>

#### **CHANGE IN NET POSITION**

	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,847,147	\$ 10,794,224
Operating grants and contributions	2,550,376	3,429,815
General revenues:		
County taxes, net	13,524,132	13,444,974
Property taxes	309,828	400,108

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**CHANGE IN NET POSITION**

	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Licenses and permits	30,434	30,041
Penalties, interest, and other taxes	334,137	314,948
Grants and contributions not restricted to specific programs	2,513,591	2,431,542
Payment in lieu of taxes	881,485	881,624
Investment income	4,379	5,147
Miscellaneous	<u>252,613</u>	<u>268,878</u>
Total revenues	31,248,122	32,001,301
Expenses:		
General government	1,518,929	1,293,487
Public safety	1,022,543	984,174
Corrections	2,602,957	2,229,583
Human services	6,258,265	6,099,858
Cooperative extension	238,237	220,026
Economic development	104,549	958,087
Highways and streets	7,500	5,000
Health and welfare	-	465
Sanitation	29,098	27,338
Conservation	75,000	75,000
School districts	6,508	12,677
West Stewartstown nursing home	10,592,915	10,019,386
Berlin nursing home	11,429,872	10,427,664
Interest	<u>22,708</u>	<u>25,949</u>
Total expenses	<u>33,909,081</u>	<u>32,378,694</u>
Change in net position	(2,660,959)	(377,393)
Net position - beginning of year	<u>(2,822,368)</u>	<u>(2,444,975)</u>
Net position - end of year	<u><u>\$ (5,483,327)</u></u>	<u><u>\$ (2,822,368)</u></u>

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent fiscal year, total net position was \$(5,483,327), a change of \$(2,660,959) from the prior year.

The largest portion of net position, \$3,795,238, 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, \$2,169,675, 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 \$(2,660,959). Key elements of this change are as follows:

Governmental funds operating results	\$ (783,325)
Purchase of capital assets, net of notes payable proceeds	391,365
Loss on disposal of capital assets	(6,903)
Depreciation expense in excess of principal debt service	(527,218)
Change in compensated absence liability	(143,693)
Change in net OPEB obligation	(550,129)
Change in net pension liability	(4,501,494)
Change in deferred outflows of resources	2,880,044
Change in deferred inflows of resources	<u>580,394</u>
Total	\$ <u><u>(2,660,959)</u></u>

#### **D. FINANCIAL ANALYSIS OF THE COUNTY'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 the County'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 \$7,277,765, a change of \$(783,325) in comparison to the prior year. Key elements of this change are as follows:

General Fund expenditures in excess of revenues and other financing sources	\$ (927,524)
Unincorporated Places Fund revenues in excess of expenditures	93,086
Nonmajor Governmental Funds revenues in excess of expenditures	<u>51,113</u>
Total	<u>\$ (783,325)</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 \$440,759, while total fund balance was \$5,108,090. 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>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 440,759	\$ 700,744	\$ (259,985)	1.3%
Total fund balance	\$ 5,108,090	\$ 6,035,614	\$ (927,524)	14.9%

The total fund balance of all funds changed by \$(783,325) during the current fiscal year. Key factors related to this change are as follows:

Revenues in excess of (less than) budget:	
General Fund	\$ 546,559
Grants Fund	(1,445,451)
Recycling Center Fund	<u>83,347</u>
Subtotal revenues in excess of (less than) budget	(815,545)
Expenditures less than (greater than) appropriations:	
General Fund	2,240,894
Grants Fund	1,445,451
Transfer Station Fund	1,140
Recycling Center Fund	<u>13,626</u>
Subtotal expenditures less than (greater than) appropriations	3,701,111

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Unincorporated Places budgetary results	79,352
Use of fund balance as a funding source:	
General Fund	(3,745,687)
Recycling Center Fund	(43,960)
Unincorporated Places Fund	(66,843)
Reserve for 53rd payroll in 2020	50,000
Unincorporated Places NH DRA special adjustment	80,073
Other	<u>(21,826)</u>
Total all funds	<u>\$ (783,325)</u>

#### **E. BUDGETARY HIGHLIGHTS**

There were no changes to the original budget during 2016.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$4,396,708 (net of accumulated depreciation), a change of \$377,714 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 \$601,470, 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, 2016

	Governmental <u>Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current:	
Cash and short-term investments	\$ 7,194,548
Receivables:	
Property taxes	16,476
Accounts	831,252
Intergovernmental	645,599
Prepaid expenses	97,437
Inventory	<u>112,431</u>
Total Current Assets	8,897,743
Noncurrent:	
Capital Assets:	
Land	97,519
Construction in progress	632,269
Capital assets, net of accumulated depreciation	<u>3,666,920</u>
Total Noncurrent Assets	4,396,708
Deferred Outflows of Resources - Pension Related	<u>3,875,515</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	17,169,966
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Current:	
Accounts payable	1,132,833
Accrued payroll and related liabilities	429,984
Other liabilities	57,161
Current portion of noncurrent liabilities:	
Notes payable	61,229
Compensated absences	<u>1,694,120</u>
Total Current Liabilities	3,375,327
Noncurrent:	
Notes payable, net of current portion	540,241
Compensated absences, net of current portion	1,863,538
Net OPEB obligation	1,760,730
Net pension liability	<u>14,924,991</u>
Total Noncurrent Liabilities	19,089,500
Deferred Inflows of Resources - Pension Related	<u>188,466</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	22,653,293
<b>NET POSITION</b>	
Net investment in capital assets	3,795,238
Restricted for grants and other statutory restrictions	2,169,675
Unrestricted	<u>(11,448,240)</u>
<b>TOTAL NET POSITION</b>	\$ <u><u>(5,483,327)</u></u>

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, 2016

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General government	\$ 1,518,929	\$ 354,882	\$ 53,843	\$ (1,110,204)
Public safety	1,022,543	268,271	44,629	(709,643)
Corrections	2,602,957	10,951	-	(2,592,006)
Human services	6,258,265	-	-	(6,258,265)
Cooperative extension	238,237	-	-	(238,237)
Economic development	104,549	-	54,549	(50,000)
Highways and streets	7,500	-	-	(7,500)
Sanitation	29,098	-	-	(29,098)
Conservation	75,000	-	-	(75,000)
School districts	6,508	-	-	(6,508)
West Stewartstown nursing home	10,592,915	4,719,986	942,102	(4,930,827)
Berlin nursing home	11,429,872	5,493,057	1,455,253	(4,481,562)
Interest	<u>22,708</u>	<u>-</u>	<u>-</u>	<u>(22,708)</u>
Total Governmental Activities	\$ <u>33,909,081</u>	\$ <u>10,847,147</u>	\$ <u>2,550,376</u>	(20,511,558)
<b>General Revenues:</b>				
				13,524,132
County taxes, net				309,828
Property taxes				30,434
Licenses and permits				334,137
Penalties, interest, and other taxes				2,513,591
Grants and contributions not restricted to specific programs				881,485
Payment in lieu of taxes				4,379
Investment income				<u>252,613</u>
Miscellaneous				
Total general revenues				<u>17,850,599</u>
Change in Net Position				(2,660,959)
<b>Net Position:</b>				
Beginning of year				<u>(2,822,368)</u>
End of year				\$ <u>(5,483,327)</u>

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

**COUNTY OF COÖS, NEW HAMPSHIRE**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

DECEMBER 31, 2016

	<u>General Fund</u>	<u>Unincorporated Places Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,044,988	\$ 1,931,008	\$ 218,552	\$ 7,194,548
Receivables:				
Property taxes	-	16,476	-	16,476
Accounts	821,626	3,471	6,155	831,252
Intergovernmental	645,547	-	52	645,599
Prepaid expenses	96,404	-	1,033	97,437
Inventory	112,431	-	-	112,431
TOTAL ASSETS	\$ <u>6,720,996</u>	\$ <u>1,950,955</u>	\$ <u>225,792</u>	\$ <u>8,897,743</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,132,833	\$ -	\$ -	\$ 1,132,833
Accrued payroll and related liabilities	429,984	-	-	429,984
Other liabilities	50,089	7,072	-	57,161
Total Liabilities	1,612,906	7,072	-	1,619,978
Fund Balances:				
Nonspendable	208,835	-	1,033	209,868
Restricted	464,346	1,943,883	224,759	2,632,988
Committed	637,311	-	-	637,311
Assigned	3,356,839	-	-	3,356,839
Unassigned	440,759	-	-	440,759
Total Fund Balances	5,108,090	1,943,883	225,792	7,277,765
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,720,996</u>	\$ <u>1,950,955</u>	\$ <u>225,792</u>	\$ <u>8,897,743</u>

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, 2016

<b>Total governmental fund balances</b>	<b>\$ 7,277,765</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	4,396,708
<ul style="list-style-type: none"><li>• Deferred outflows from net pension liability.</li></ul>	3,875,515
<ul style="list-style-type: none"><li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:</li></ul>	
Notes payable	(601,470)
Compensated absences	(3,557,658)
Net OPEB obligation	(1,760,730)
Net pension liability	(14,924,991)
<ul style="list-style-type: none"><li>• Deferred inflows from net pension liability.</li></ul>	<u>(188,466)</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>(5,483,327)</u></u></b>

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, 2016

	<u>General Fund</u>	<u>Unincorporated Places Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
County taxes	\$ 14,406,246	\$ -	\$ -	\$ 14,406,246
Property taxes	-	309,828	-	309,828
Licenses and permits	-	30,434	-	30,434
Penalties, interest, and other taxes	-	334,137	-	334,137
West Stewartstown nursing home	5,662,088	-	-	5,662,088
Berlin nursing home	6,948,310	-	-	6,948,310
Charges for services	555,203	-	78,901	634,104
Intergovernmental	2,580,340	31,723	54,549	2,666,612
Payment in lieu of taxes	250,433	631,052	-	881,485
Investment income	3,996	241	142	4,379
Miscellaneous	<u>166,372</u>	<u>2,942</u>	<u>90,204</u>	<u>259,518</u>
Total Revenues	30,572,988	1,340,357	223,796	32,137,141
<b>Expenditures:</b>				
Current:				
General government	1,121,352	137,598	103,859	1,362,809
Public safety	827,322	98,989	-	926,311
Corrections	2,298,476	-	-	2,298,476
Human services	6,258,265	-	-	6,258,265
Cooperative extension	224,834	-	-	224,834
Economic development	50,000	-	54,549	104,549
Highways and streets	-	7,500	-	7,500
Sanitation	-	29,098	-	29,098
Conservation	-	75,000	-	75,000
County taxes	-	882,114	-	882,114
School districts	-	6,508	-	6,508
West Stewartstown nursing home	10,059,929	-	-	10,059,929
Berlin nursing home	10,484,861	-	-	10,484,861
Capital outlay	683,699	-	14,275	697,974
Debt service:				
Principal	-	9,000	-	9,000
Interest	<u>21,244</u>	<u>1,464</u>	<u>-</u>	<u>22,708</u>
Total Expenditures	<u>32,029,982</u>	<u>1,247,271</u>	<u>172,683</u>	<u>33,449,936</u>
Excess (deficiency) of revenues over expenditures	(1,456,994)	93,086	51,113	(1,312,795)
<b>Other Financing Sources (Uses):</b>				
Proceeds of note	<u>529,470</u>	<u>-</u>	<u>-</u>	<u>529,470</u>
Total Other Financing Sources (Uses)	<u>529,470</u>	<u>-</u>	<u>-</u>	<u>529,470</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(927,524)	93,086	51,113	(783,325)
Fund Equity, at Beginning of Year	<u>6,035,614</u>	<u>1,850,797</u>	<u>174,679</u>	<u>8,061,090</u>
Fund Equity, at End of Year	\$ <u>5,108,090</u>	\$ <u>1,943,883</u>	\$ <u>225,792</u>	\$ <u>7,277,765</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, 2016**

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ (783,325)</b>
<ul style="list-style-type: none"><li>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:</li></ul>	
Capital asset purchases	920,835
Loss on disposal of capital assets	(6,903)
Depreciation	(536,218)
<ul style="list-style-type: none"><li>The issuance of long-term debt 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:</li></ul>	
Proceeds of notes payable	(529,470)
Repayments of notes payable	9,000
<ul style="list-style-type: none"><li>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:</li></ul>	
Compensated absences	(143,693)
Net OPEB obligation	(550,129)
GASB 68 net pension liability changes:	
Net pension liability	(4,501,494)
Deferred outflows of resources	2,880,044
Deferred inflows of resources	<u>580,394</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>(2,660,959)</u></b>

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, 2016**

	Agency Funds
<b>ASSETS</b>	
Cash and short-term investments	\$ <u>206,761</u>
Total Assets	\$ <u><u>206,761</u></u>
<b>LIABILITIES</b>	
Due to others	\$ <u>206,761</u>
Total Liabilities	\$ <u><u>206,761</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 2016, 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.

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 County, 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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

- *Agency Funds* are used to account for money held by the County on behalf of others (e.g., inmate funds, nursing home resident 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. Inventory includes dietary, housekeeping, and activity supplies for use at the nursing homes.

*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 acquisition 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, 2016, none 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 semi-annually in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are typically due by July 1 and December 1. 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, 2016, taxes receivable consist of 2016 property taxes.

**5. Accounts Receivable**

This balance primarily represents amounts owed to the County for nursing home residents' daily room charges during 2016.

## 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, 2016 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 545	\$ 7	\$ (14)	\$ 538
Buildings and improvements	7,161	68	(160)	7,069
Equipment and vehicles	<u>2,451</u>	<u>241</u>	<u>(182)</u>	<u>2,510</u>
Total capital assets, being depreciated	10,157	316	(356)	10,117
Less accumulated depreciation for:				
Land improvements	(366)	(33)	14	(385)
Buildings and improvements	(4,373)	(243)	157	(4,459)
Equipment and vehicles	<u>(1,524)</u>	<u>(260)</u>	<u>177</u>	<u>(1,607)</u>
Total accumulated depreciation	<u>(6,263)</u>	<u>(536)</u>	<u>348</u>	<u>(6,451)</u>
Total capital assets, being depreciated, net	3,894	(220)	(8)	3,666
Capital assets, not being depreciated:				
Land	98	-	-	98
Construction in progress	<u>27</u>	<u>605</u>	<u>-</u>	<u>632</u>
Total capital assets, not being depreciated	<u>125</u>	<u>605</u>	<u>-</u>	<u>730</u>
Governmental activities capital assets, net	<u>\$ 4,019</u>	<u>\$ 385</u>	<u>\$ (8)</u>	<u>\$ 4,396</u>

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

<b>Governmental Activities:</b>	
General government	\$ 15
Public safety	91
Corrections	36
Cooperative extension	4
Nursing homes	<u>390</u>
Total depreciation expense - governmental activities	<u>\$ 536</u>

## 8. Anticipation Notes Payable

The following summarizes anticipation notes payable activity during 2016:

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Tax anticipation	\$ 10,000,000	02/10/16	1.54%	\$ -	\$ 5,400,000	\$ (5,400,000)	\$ -

## 9. Long-Term Debt

### A. Notes Payable

The County has entered into agreements to provide funds for the construction of major land improvements, as well as the replacement of the Berlin Nursing Home roof. At December 31, 2016, notes payable outstanding were as follows:

	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/16</u>
<u>Governmental Activities:</u>			
Wentworth Location Rip Rap Project	09/30/24	2.41%	\$ 72,000
Berlin Nursing Home Roof	10/01/26	1.90%	529,470
Total Governmental Activities			\$ <u>601,470</u>

### B. Future Debt Service

The annual payments to retire notes payable as of December 31, 2016 are as follows:

<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 61,229	\$ 11,492	\$ 72,721
2018	61,918	10,586	72,504
2019	62,923	9,363	72,286
2020	63,928	8,142	72,070
2021	64,991	6,862	71,853
2022 - 2026	<u>286,481</u>	<u>14,911</u>	<u>301,392</u>
Total	\$ <u>601,470</u>	\$ <u>61,356</u>	\$ <u>662,826</u>

### C. Changes in General Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/16</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/16</u>
<u>Governmental Activities</u>						
Notes payable	\$ 81	\$ 529	\$ (9)	\$ 601	\$ (61)	\$ 540
Compensated absences	3,414	144	-	3,558	(1,694)	1,864
Net OPEB obligation	1,211	986	(436)	1,761	-	1,761
Net pension liability	10,423	4,502	-	14,925	-	14,925
Totals	<u>\$ 15,129</u>	<u>\$ 6,161</u>	<u>\$ (445)</u>	<u>\$ 20,845</u>	<u>\$ (1,755)</u>	<u>\$ 19,090</u>

## 10. Governmental Fund Balances

The following is a summary of fund balances at December 31, 2016:

	General <u>Fund</u>	Unincorporated Places <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:				
Prepaid expenses	\$ 96,404	\$ -	\$ 1,033	\$ 97,437
Inventory	<u>112,431</u>	<u>-</u>	<u>-</u>	<u>112,431</u>
Total Nonspendable	208,835	-	1,033	209,868
Restricted:				
Decommission fund	422,810	-	-	422,810
Deeds surcharge account	19,686	-	-	19,686
Agrimark equity investment	21,850	-	-	21,850
Unincorporated places	-	1,943,883	-	1,943,883
Recycling center	-	-	163,688	163,688
Transfer station	<u>-</u>	<u>-</u>	<u>61,071</u>	<u>61,071</u>
Total Restricted	464,346	1,943,883	224,759	2,632,988

(continued)

(continued)

	General <u>Fund</u>	Unincorporated Places <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Committed:				
Sick pay reserve	338,888	-	-	338,888
Facility reserve	133,411	-	-	133,411
Vehicle reserve	75,131	-	-	75,131
53rd payroll reserve	50,000	-	-	50,000
Nursing home renovation and equipment reserve	39,461	-	-	39,461
Patient unclaimed funds (RSA 151-A:15)	400	-	-	400
Security deposits - electronic monitoring	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Total Committed	637,311	-	-	637,311
Assigned:				
Encumbrances	18,357	-	-	18,357
Water system upgrade	365,892	-	-	365,892
Use of fund balance for subsequent year budget	<u>2,972,590</u>	<u>-</u>	<u>-</u>	<u>2,972,590</u>
Total Assigned	3,356,839	-	-	3,356,839
Unassigned:				
Remaining fund balance	<u>440,759</u>	<u>-</u>	<u>-</u>	<u>440,759</u>
Total Unassigned	<u>440,759</u>	<u>-</u>	<u>-</u>	<u>440,759</u>
Total Fund Balances	<u>\$ 5,108,090</u>	<u>\$ 1,943,883</u>	<u>\$ 225,792</u>	<u>\$ 7,277,765</u>

## 11. **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.

## 12. **Post-Employment Healthcare Insurance Benefits**

GASB Statement No. 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.

The County did not obtain an updated actuarial valuation as required by GASB No. 45. The most recent actuarial valuation, dated January 1, 2014, included forecast information for 2016 that the County used to record its net OPEB obligation. There have been no major changes in the number of plan participants and the County believes this information accurately reflects the net OPEB obligation at December 31, 2016.

*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 2016 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, 2016, 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)	\$ 1,007,933
Interest on net OPEB obligation	48,424
Adjustment to ARC	<u>(70,017)</u>
Annual OPEB cost	986,340
Contributions made	<u>(436,211)</u>
Increase in net OPEB obligation	550,129
Net OPEB obligation - beginning of year	<u>1,210,601</u>
Net OPEB obligation - end of year	<u>\$ 1,760,730</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
2016	\$ 986,340	44%	\$ 1,760,730
2015	\$ 972,368	40%	\$ 1,210,601
2014	\$ 956,693	34%	\$ 631,668

The County's net OPEB obligation as of December 31, 2016 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 OPEB 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.

**13. New Hampshire Retirement System**

The County 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 11.17% to 26.38% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2016 were \$1,084,473, 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, 2016, the County reported a liability of \$14,924,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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, 2015, the County's proportion was .26311817 percent.

At the most recent measurement date of June 30, 2016, the County's proportion was .28067181 percent, which was an increase of .01755364 percent from its previous year proportion.

For the year ended December 31, 2016, the County recognized pension expense of \$1,750,109. 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	\$ 41,476	\$ 188,466
Changes of assumptions	1,836,792	-
Net difference between projected and actual earnings on plan investments	933,784	-
Changes in proportion and differences between contributions and proportionate share of contributions	506,923	-
Contributions subsequent to the measurement date	556,540	-
Total	<u>\$ 3,875,515</u>	<u>\$ 188,466</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2017	\$ (1,175,224)
2018	(618,684)
2019	(984,134)
2020	(863,661)
2021	<u>(45,346)</u>
Total	<u>\$ (3,687,049)</u>

#### F. 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	2.5 percent per year
Salary increases	3.25 - 5.6 percent average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. 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 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	<u>7.00</u>	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	<u>7.00</u>	1.08%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.75%
Opportunistic	<u>5.00</u>	3.68%
Total alternative investments	<u>15.00</u>	
Real Estate	<u>10.00</u>	3.25%
Total	<u><u>100.00</u></u> %	

#### G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. This is a decrease of .50% from the previous valuation and has contributed to the significant deferred outflow of resources balance for changes in assumptions. 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.

*H. 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 7.25%, 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 (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 19,177,597	\$ 14,924,991	\$ 11,398,128

*I. Pension Plan Fiduciary Net Position*

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

**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; 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.

## **15. Commitments and Contingencies**

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of these issues 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.

## **16. Subsequent Events**

On March 8, 2017, the County issued a \$10,000,000 tax anticipation note with a maturity date of December 31, 2017 and an interest rate of 1.75%.

## **17. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replacing requirements of Statement No. 45 and 57, effective for the County beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditure. In addition, this Statement details the recognitions and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria and for employers whose employees are provided with defined benefit contribution OPEB. Management's current assessment is that this pronouncement will have an impact by increasing the net OPEB liability and, as a result, decreasing the unrestricted net position on the government-wide financial statements.

**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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues:</b>				
<b>General Fund:</b>				
County taxes	\$ 14,406,246	\$ 14,406,246	\$ 14,406,246	\$ -
West Stewartstown nursing home	5,553,300	5,553,300	5,662,088	108,788
Berlin nursing home	6,647,383	6,647,383	6,948,310	300,927
Charges for services	563,500	563,500	555,203	(8,297)
Intergovernmental	2,621,000	2,621,000	2,580,340	(40,660)
Payment in lieu of taxes	206,000	206,000	250,433	44,433
Investment income	4,000	4,000	3,996	(4)
Miscellaneous	25,000	25,000	166,372	141,372
Total General Fund	30,026,429	30,026,429	30,572,988	546,559
<b>Other Funds:</b>				
Grants	1,500,000	1,500,000	54,549	(1,445,451)
Transfer station	27,500	27,500	27,500	-
Recycling center	58,400	58,400	141,747	83,347
Total Revenues	31,612,329	31,612,329	30,796,784	(815,545)
<b>Expenditures:</b>				
<b>General Fund:</b>				
General government	1,279,388	1,279,388	1,132,352	147,036
Public safety	1,032,194	1,032,194	827,322	204,872
Corrections	2,909,280	2,909,280	2,305,832	603,448
Human services	6,927,633	6,927,633	6,258,265	669,368
Cooperative extension	224,920	224,920	224,834	86
Economic development	50,000	50,000	50,000	-
West Stewartstown nursing home	10,149,112	10,149,112	10,059,929	89,183
Berlin nursing home	10,930,449	10,930,449	10,484,861	445,588
Capital outlay	689,140	689,140	676,583	12,557
Debt service:				
Principal	13,000	13,000	-	13,000
Interest	77,000	77,000	21,244	55,756
Total General Fund	34,282,116	34,282,116	32,041,222	2,240,894
<b>Other Funds:</b>				
Grants	1,500,000	1,500,000	54,549	1,445,451
Transfer station	27,500	27,500	26,360	1,140
Recycling center	105,400	105,400	91,774	13,626
Total Expenditures	35,915,016	35,915,016	32,213,905	3,701,111
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(4,302,687)	(4,302,687)	(1,417,121)	2,885,566
<b>Other Financing Sources (Uses):</b>				
Use of fund balance - reduce taxes	3,745,687	3,745,687	3,745,687	-
Use of fund balance - recycling center	47,000	47,000	43,960	(3,040)
Proceeds of notes	560,000	560,000	529,470	(30,530)
Reserve for 53rd payroll in 2020	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	4,302,687	4,302,687	4,269,117	(33,570)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 2,851,996	\$ 2,851,996

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, 2016

	<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>		
<b>Revenues:</b>				
Property taxes	\$ 309,324	\$ 309,324	\$ 309,324	\$ -
Licenses and permits	27,150	27,150	30,434	3,284
Penalties, interest, and other taxes	334,232	334,232	334,137	(95)
Intergovernmental	33,731	33,731	31,723	(2,008)
Payment in lieu of taxes	637,995	637,995	631,052	(6,943)
Investment income	211	211	241	30
Miscellaneous	<u>13,609</u>	<u>13,609</u>	<u>2,942</u>	<u>(10,667)</u>
Total Revenues	1,356,252	1,356,252	1,339,853	(16,399)
<b>Expenditures:</b>				
General government	221,358	221,358	137,598	83,760
Public safety	98,197	98,197	98,989	(792)
Highways and streets	12,250	12,250	7,500	4,750
Health and welfare	6,000	6,000	-	6,000
Sanitation	29,550	29,550	29,098	452
Conservation	75,600	75,600	75,000	600
County taxes	882,114	882,114	882,114	-
School districts	7,000	7,000	6,508	492
Debt service:				
Principal	9,000	9,000	9,000	-
Interest	<u>1,953</u>	<u>1,953</u>	<u>1,464</u>	<u>489</u>
Total Expenditures	<u>1,343,022</u>	<u>1,343,022</u>	<u>1,247,271</u>	<u>95,751</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	13,230	13,230	92,582	79,352
<b>Other Financing Sources (Uses):</b>				
Use of fund balance - reduce taxes	66,843	66,843	66,843	-
NH DRA special adjustment	<u>(80,073)</u>	<u>(80,073)</u>	<u>(80,073)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(13,230)</u>	<u>(13,230)</u>	<u>(13,230)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,352</u>	<u>\$ 79,352</u>

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	\$ 30,572,988	\$ 32,029,982
Nonmajor Governmental Funds	<u>223,796</u>	<u>172,683</u>
Subtotal (GAAP Basis)	30,796,784	32,202,665
Reverse beginning of year appropriation carryforwards from expenditures	-	(7,117)
Record end of year appropriation carryforwards	<u>-</u>	<u>18,357</u>
Budgetary Basis	<u>\$ 30,796,784</u>	<u>\$ 32,213,905</u>

\*General Fund and Nonmajor Governmental Funds.

<u>Unincorporated Places</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures - (GAAP Basis)	\$ 1,340,357	\$ 1,247,271
Adjust tax revenue to accrual basis	<u>(504)</u>	<u>-</u>
Budgetary Basis	<u>\$ 1,339,853</u>	<u>\$ 1,247,271</u>

See Independent Auditors' Report.

**COUNTY OF COÖS, NEW HAMPSHIRE**  
**SCHEDULE OF OPEB FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**  
(Unaudited)

**Other Post-Employment Benefits**

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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**

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

(Unaudited)

**New Hampshire Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2015	June 30, 2015	0.26311817%	\$ 10,423,497	\$ 7,401,935	140.82%	65.47%
December 31, 2016	June 30, 2016	0.28067181%	\$ 14,924,991	\$ 8,061,262	185.14%	58.30%

*Schedule is 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 PENSION CONTRIBUTIONS**

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016

(Unaudited)

<b>New Hampshire Retirement System</b>					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	\$ 988,508	\$ 988,508	\$ -	\$ 7,597,082	13.01%
December 31, 2016	\$ 1,084,473	\$ 1,084,473	\$ -	\$ 8,238,286	13.16%

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

See Independent Auditors' Report.