

COUNTY OF COÖS, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Coös, New Hampshire

Additional Offices:

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

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 County of Coös, New Hampshire (the "County"), as of and for the year ended December 31, 2017, and related notes to 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 opin-

ion 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 County of Coös, New Hampshire, as of December 31, 2017, 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 36 through 41 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.

Melanson Heath

October 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of 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, 2017.

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.

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. The County's funds are reported in 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. The governmental fund financial statements provide separate information for the General Fund and Unincorporated Places Fund, which are considered to be major funds.

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. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided.

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 year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(7,519,288) (i.e., net position), a change of \$(2,035,961) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$6,308,744, a change of \$(969,021) in comparison to the prior year.
- At the end of the current year, the fund balance for the General Fund was \$4,146,590, a change of \$(961,500) 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 years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 7,974,371	\$ 8,897,743
Noncurrent assets	<u>4,237,421</u>	<u>4,396,708</u>
Total assets	12,211,792	13,294,451
Deferred outflows of resources	2,612,037	3,875,515
Current liabilities	3,345,311	3,375,327
Noncurrent liabilities	<u>18,640,113</u>	<u>19,089,500</u>
Total liabilities	21,985,424	22,464,827
Deferred inflows of resources	357,693	188,466
Net position:		
Net investment in capital assets	3,667,044	3,795,238
Restricted	2,710,929	2,169,675
Unrestricted	<u>(13,897,261)</u>	<u>(11,448,240)</u>
Total net position	<u>\$ (7,519,288)</u>	<u>\$ (5,483,327)</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 11,720,195	\$ 10,847,147
Operating grants and contributions	2,258,719	2,550,376
General revenues:		
County taxes, net	14,166,227	13,524,132
Property taxes	319,595	309,828
Licenses and permits	29,979	30,434
Penalties, interest, and other taxes	292,188	334,137
Grants and contributions not restricted to specific programs	2,389,086	2,513,591
Payment in lieu of taxes	871,166	881,485
Investment income	4,508	4,379
Miscellaneous	<u>303,675</u>	<u>252,613</u>
Total revenues	32,355,338	31,248,122

(continued)

(continued)

	<u>CHANGE IN NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2017</u>	<u>2016</u>
Expenses:		
General government	1,819,282	1,518,929
Public safety	905,798	1,022,543
Corrections	2,365,096	2,602,957
Human services	6,365,064	6,258,265
Cooperative extension	276,002	238,237
Economic development	45,000	104,549
Highways and streets	7,500	7,500
Sanitation	31,292	29,098
Conservation	78,000	75,000
School districts	8,184	6,508
West Stewartstown nursing home	10,350,133	10,592,915
Berlin nursing home	12,082,468	11,429,872
Interest	<u>57,480</u>	<u>22,708</u>
Total expenses	<u>34,391,299</u>	<u>33,909,081</u>
Change in net position	(2,035,961)	(2,660,959)
Net position - beginning of year	<u>(5,483,327)</u>	<u>(2,822,368)</u>
Net position - end of year	<u>\$ (7,519,288)</u>	<u>\$ (5,483,327)</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 year, total net position was \$(7,519,288), a change of \$(2,035,961) from the prior year.

The largest portion of net position, \$3,667,044, 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; 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, \$2,710,929, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(13,897,261), primarily resulting from the unfunded net OPEB obligation (see Note 13) and the unfunded net pension liability (see Note 14)

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,035,961). Key elements of this change are as follows:

Governmental funds operating results	\$ (969,021)
Purchase of capital assets, net of notes payable	376,366
Loss on disposal of capital assets	(14,267)
Depreciation expense in excess of principal debt service	(490,294)
Change in compensated absence liability	220,616
Change in net OPEB obligation	(603,908)
Change in net pension liability, net of deferrals	<u>(555,453)</u>
Total	<u>\$ (2,035,961)</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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$6,308,744, a change of \$(969,021) 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	\$ (961,500)
Unincorporated Places Fund expenditures in excess of revenues	(27,696)
Nonmajor Governmental Funds revenues in excess of expenditures	<u>20,175</u>
Total	<u>\$ (969,021)</u>

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$501,852, while total fund balance was \$4,146,590. 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>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 501,852	\$ 440,759	\$ 61,093	1.5%
Total fund balance	\$ 4,146,590	\$ 5,108,090	\$ (961,500)	12.1%

E. BUDGETARY HIGHLIGHTS

There were no increases to the original budget during 2017; however, there were line item changes approved by the Commissioners. Below is a reconciliation between the 2017 budgetary surplus and the change in fund balance for all funds, excluding the Unincorporated Places Fund (refer to Notes to Required Supplementary Information).

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>			<u>Total</u>
		<u>Grants Fund</u>	<u>Transfer Station Fund</u>	<u>Recycling Center Fund</u>	
Revenues in excess (less than) of budget	\$ 581,652	\$ (500,000)	\$ -	\$ 99,087	\$ 180,739
Expenditures less than (in excess of) appropriations	<u>1,531,033</u>	<u>500,000</u>	<u>114</u>	<u>(7,936)</u>	<u>2,023,211</u>
Subtotal - budgetary results	2,112,685	-	114	91,151	2,203,950
Use of fund balance - reduce taxes	(2,972,590)	-	-	-	(2,972,590)
Use of fund balance - recycling center	-	-	-	(71,000)	(71,000)
Use of reserve funds	(155,804)	-	-	-	(155,804)
Reserve for 53rd payroll in 2020	50,000	-	-	-	50,000
Other GAAP adjustments	<u>4,209</u>	<u>-</u>	<u>-</u>	<u>(90)</u>	<u>4,119</u>
Total - GAAP basis	<u>\$ (961,500)</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 20,061</u>	<u>\$ (941,325)</u>

F. CAPITAL ASSETS AND DEBT

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$4,237,421 (net of accumulated depreciation). 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 year, total long-term debt outstanding was \$570,377, 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 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, 2017

	Governmental <u>Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and short-term investments	\$ 5,190,921
Restricted cash and investments	941,784
Receivables:	
Property taxes	39,626
Accounts	1,063,019
Intergovernmental	604,756
Prepaid expenses	4,216
Inventory	<u>130,049</u>
Total Current Assets	7,974,371
Noncurrent Assets:	
Capital Assets:	
Land	97,519
Construction in progress	119,855
Capital assets, net of accumulated depreciation	<u>4,020,047</u>
Total Noncurrent Assets	<u>4,237,421</u>
Total Assets	12,211,792
Deferred Outflows of Resources - Pension Related	<u>2,612,037</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,823,829
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities:	
Accounts payable	1,153,124
Accrued payroll and related liabilities	461,128
Other liabilities	51,375
Current portion of noncurrent liabilities:	
Notes payable	61,327
Compensated absences	<u>1,618,357</u>
Total Current Liabilities	3,345,311
Noncurrent Liabilities:	
Notes payable, net of current portion	509,050
Compensated absences, net of current portion	1,718,686
Net OPEB obligation	2,364,638
Net pension liability	<u>14,047,739</u>
Total Noncurrent Liabilities	<u>18,640,113</u>
Total Liabilities	21,985,424
Deferred Inflows of Resources - Pension Related	<u>357,693</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,343,117
NET POSITION	
Net investment in capital assets	3,667,044
Restricted for grants and other statutory restrictions	2,710,929
Unrestricted	<u>(13,897,261)</u>
TOTAL NET POSITION	\$ <u>(7,519,288)</u>

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

COUNTY OF COÖS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	General <u>Fund</u>	Unincorporated Places <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and short-term investments	\$ 3,075,237	\$ 1,876,239	\$ 239,445	\$ 5,190,921
Restricted cash	941,784	-	-	941,784
Receivables:				
Property taxes	-	39,626	-	39,626
Accounts	1,057,535	322	5,162	1,063,019
Intergovernmental	604,725	-	31	604,756
Prepaid expenses	2,887	-	1,329	4,216
Inventory	130,049	-	-	130,049
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>5,812,217</u>	\$ <u>1,916,187</u>	\$ <u>245,967</u>	\$ <u>7,974,371</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,153,124	\$ -	\$ -	\$ 1,153,124
Accrued payroll and related liabilities	461,128	-	-	461,128
Other liabilities	51,375	-	-	51,375
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,665,627	-	-	1,665,627
Fund Balances:				
Nonspendable	132,936	-	1,329	134,265
Restricted	548,775	1,916,187	244,638	2,709,600
Committed	493,689	-	-	493,689
Assigned	2,469,338	-	-	2,469,338
Unassigned	501,852	-	-	501,852
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	4,146,590	1,916,187	245,967	6,308,744
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>5,812,217</u>	\$ <u>1,916,187</u>	\$ <u>245,967</u>	\$ <u>7,974,371</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, 2017

Fund balances - governmental funds	\$ 6,308,744
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,237,421
<ul style="list-style-type: none">• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Notes payable	(570,377)
Compensated absences	(3,337,043)
Net OPEB obligation	(2,364,638)
<ul style="list-style-type: none">• Net pension liability and related outflows/inflows of resources are not due and payable in the current period nor require the use of current fiscal resources and, therefore, are not report in the governmental funds.	<u>(11,793,395)</u>
Net position - governmental activities	<u>\$ (7,519,288)</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, 2017

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
County taxes	\$ 15,084,791	\$ -	\$ -	\$ 15,084,791
Property taxes	-	319,595	-	319,595
Licenses and permits	-	29,979	-	29,979
Penalties, interest, and other taxes	-	292,188	-	292,188
West Stewartstown nursing home	5,563,523	-	-	5,563,523
Berlin nursing home	7,684,002	-	-	7,684,002
Charges for services	616,709	-	60,201	676,910
Intergovernmental	2,423,529	20,037	-	2,443,566
Payment in lieu of taxes	237,404	633,762	-	871,166
Investment income	4,050	218	240	4,508
Miscellaneous	214,924	4,169	98,846	317,939
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	31,828,932	1,299,948	159,287	33,288,167
Expenditures:				
Current:				
General government	1,222,763	195,326	128,134	1,546,223
Public safety	877,297	77,586	-	954,883
Corrections	2,158,699	-	-	2,158,699
Human services	6,365,064	-	-	6,365,064
Cooperative extension	240,509	-	-	240,509
Economic development	45,000	-	-	45,000
Highways and streets	-	7,500	-	7,500
Sanitation	-	31,292	-	31,292
Conservation	-	78,000	-	78,000
County taxes	-	918,564	-	918,564
School districts	-	8,184	-	8,184
West Stewartstown nursing home	10,369,206	-	-	10,369,206
Berlin nursing home	11,280,134	-	-	11,280,134
Capital outlay	154,379	-	10,978	165,357
Debt service:				
Principal	52,623	9,000	-	61,623
Interest	55,288	2,192	-	57,480
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	32,820,962	1,327,644	139,112	34,287,718
Excess (deficiency) of revenues over expenditures	(992,030)	(27,696)	20,175	(999,551)
Other Financing Sources (Uses):				
Proceeds of note	30,530	-	-	30,530
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	30,530	-	-	30,530
Change in Fund Balance	(961,500)	(27,696)	20,175	(969,021)
Fund Balances, at Beginning of Year	5,108,090	1,943,883	225,792	7,277,765
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, at End of Year	\$ 4,146,590	\$ 1,916,187	\$ 245,967	\$ 6,308,744

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, 2017

Change in fund balances - governmental funds	\$ (969,021)
<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 asset purchases	406,896
Loss on disposal of capital assets	(14,267)
Depreciation	(551,917)
<ul style="list-style-type: none">• 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:	
Proceeds of notes payable	(30,530)
Repayments of notes payable	61,623
<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	220,616
Net OPEB obligation	(603,908)
Net pension liability and related deferred outflows and inflows of resources	<u>(555,453)</u>
Change in net position - governmental activities	<u>\$ (2,035,961)</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, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and short-term investments	\$ <u>201,105</u>
Total Assets	\$ <u><u>201,105</u></u>
LIABILITIES	
Due to others	\$ <u>201,105</u>
Total Liabilities	\$ <u><u>201,105</u></u>

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

COUNTY OF COÖS, NEW HAMPSHRIE

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of 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 2017, 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 County. 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 are 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*. 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. 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, certain expenditures, such as debt service, compensated absences, and claims and judgments, and OPEB and pension are recorded as expenditures only when they are 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 unincorporated places in the County.

Fiduciary funds 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.

The County reports the following fiduciary funds:

- *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 and certificates of deposits. 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
Buildings 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 Liabilities

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/deferred outflows and current liabilities/deferred inflows. The County reserves 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.

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 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates 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.

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 supplementary 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, 2017, 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 delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened 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, 2017, taxes receivable consist of 2017 property taxes.

5. Accounts Receivable

Accounts receivable at December 31, 2017 consists of amounts owed to the County for nursing home residents' daily room charges during 2017.

6. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2017 consists of amounts due from the State of New Hampshire for Medicaid Quality Incentive Payments (MQIP) supplemental payments.

7. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 538	\$ 1	\$ -	\$ 539
Buildings and improvements	7,069	685	(46)	7,708
Equipment and vehicles	<u>2,510</u>	<u>234</u>	<u>(235)</u>	<u>2,509</u>
Total capital assets, being depreciated	10,117	920	(281)	10,756
Less accumulated depreciation for:				
Land improvements	(385)	(22)	-	(407)
Buildings and improvements	(4,459)	(274)	46	(4,687)
Equipment and vehicles	<u>(1,607)</u>	<u>(256)</u>	<u>221</u>	<u>(1,642)</u>
Total accumulated depreciation	<u>(6,451)</u>	<u>(552)</u>	<u>267</u>	<u>(6,736)</u>
Total capital assets, being depreciated, net	3,666	368	(14)	4,020
Capital assets, not being depreciated:				
Land	98	-	-	98
Construction in progress	<u>632</u>	<u>74</u>	<u>(586)</u>	<u>120</u>
Total capital assets, not being depreciated	<u>730</u>	<u>74</u>	<u>(586)</u>	<u>218</u>
Governmental activities capital assets, net	<u>\$ 4,396</u>	<u>\$ 442</u>	<u>\$ (600)</u>	<u>\$ 4,238</u>

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

Governmental Activities:	
General government	\$ 33
Public safety	78
Corrections	35
Cooperative extension	4
Nursing homes	<u>402</u>
Total depreciation expense - governmental activities	<u>\$ 552</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to the County's net pension liability are more fully discussed in Note 14.

9. Anticipation Notes Payable

The following summarizes anticipation notes payable activity during 2017:

	<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	03/08/17	1.75%	\$ -	\$ 7,850,000	\$ (7,850,000)	\$ -

In February 2018, the County issued a \$10,000,000 tax anticipation note with a maturity date of December 31, 2018 and an interest rate of 1.9%.

10. Long-Term Liabilities

A. Notes Payable

The County has notes payable related to major land improvements, as well as the replacement of the Berlin Nursing Home roof. At December 31, 2017, notes payable outstanding were as follows:

<u>Governmental Activities:</u>	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Wentworth Location Rip Rap Project	09/30/24	2.41%	\$ 63,000
Berlin Nursing Home Roof	10/01/26	1.90%	507,377
Total Governmental Activities			\$ <u>570,377</u>

B. Future Debt Service

The annual payments to retire notes payable as of December 31, 2017 are as follows:

<u>Governmental Activities:</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 61,327	\$ 11,176	\$ 72,503
2019	62,321	9,965	72,286
2020	63,313	8,757	72,070
2021	64,366	7,487	71,853
2022	65,418	6,218	71,636
2023 - 2026	<u>253,632</u>	<u>12,004</u>	<u>265,636</u>
Total	\$ <u>570,377</u>	\$ <u>55,607</u>	\$ <u>625,984</u>

The General Fund has been designated as the source to repay the long-term notes outstanding as of December 31, 2017.

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Notes payable	\$ 601	\$ 31	\$ (62)	\$ 570	\$ (61)	\$ 509
Compensated absences	3,558	-	(221)	3,337	(1,618)	1,719
Net OPEB obligation	1,761	867	(263)	2,365	-	2,365
Net pension liability	14,925	-	(877)	14,048	-	14,048
Totals	<u>\$ 20,845</u>	<u>\$ 898</u>	<u>\$ (1,423)</u>	<u>\$ 20,320</u>	<u>\$ (1,679)</u>	<u>\$ 18,641</u>

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the County that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to the County's net pension liability are more fully discussed in Note 14.

12. Fund Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use. The County's fund balance classification policies are as follows:

- Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaids) or can never be spent.
- 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 spent.
- Committed funds are reported and expended as a result of motions passed by the highest level of decision making in the County (i.e., County Delegation).
- Assigned funds are used for a specific purpose as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered, but not yet received. This also includes fund balance voted to be used in the subsequent year.
- Unassigned funds are available to be spent in future periods.

The following is a summary of fund balances at December 31, 2017:

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 2,887	\$ -	\$ 1,329	\$ 4,216
Inventory	130,049	-	-	130,049
Total Nonspendable	132,936	-	1,329	134,265
Restricted:				
Decommission fund	507,641	-	-	507,641
Deeds surcharge account	30,209	-	-	30,209
Agrimark equity investment	10,925	-	-	10,925
Unincorporated places	-	1,916,187	-	1,916,187
Recycling center	-	-	183,543	183,543
Transfer station	-	-	61,095	61,095
Total Restricted	548,775	1,916,187	244,638	2,709,600
Committed:				
Sick pay reserve	208,955	-	-	208,955
Facility reserve	133,758	-	-	133,758
Vehicle reserve	50,296	-	-	50,296
53rd payroll reserve	100,000	-	-	100,000
Patient unclaimed funds (RSA 151-A:15)	400	-	-	400
Security deposits - electronic monitoring	280	-	-	280
Total Committed	493,689	-	-	493,689
Assigned:				
Encumbrances	15,338	-	-	15,338
Water system upgrade	15,000	-	-	15,000
Subsequent year budget	2,439,000	-	-	2,439,000
Total Assigned	2,469,338	-	-	2,469,338
Unassigned:				
Remaining fund balance	501,852	-	-	501,852
Total Unassigned	501,852	-	-	501,852
Total Fund Balances	\$ 4,146,590	\$ 1,916,187	\$ 245,967	\$ 6,308,744

13. Other Post-Employment Benefits- OPEB (GASB 45)

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 that is recognized in the Statement of Net Position over time.

A. Plan Description

The County provides post-employment healthcare benefits for retired employees through the County's plan. As of July 1, 2017, the actuarial valuation date, 48 retirees and 324 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 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 2017 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, 2017, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of July 1, 2017.

Annual Required Contribution (ARC)	\$ 898,535
Interest on net OPEB obligation	70,429
Adjustment to ARC	<u>(101,835)</u>
Annual OPEB cost	867,129
Contributions made	<u>(263,221)</u>
Increase in net OPEB obligation	603,908
Net OPEB obligation - beginning of year	<u>1,760,730</u>
Net OPEB obligation - end of year	<u>\$ 2,364,638</u>

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

Year	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 867,129	30%	\$2,364,638
2016	\$ 986,340	44%	\$1,760,730
2015	\$ 972,368	40%	\$1,210,601

E. Funded Status and Funding Progress

The funded status of the plan was as of July 1, 2017, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 12,142,694
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,142,694</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 12,363,643</u>
UAAL as a percentage of covered payroll	<u>98%</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 include assumptions about future employment, mortality, and 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 July 1, 2017 actuarial valuation, the entry age normal method was used. The actuarial value of assets was not determined, as the County has not advanced funded its obligation. The actuarial assumptions include a 7.5% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 3.8% long-term rate for all healthcare benefits after six 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 3.78% for pay-as-you-go.

14. New Hampshire Retirement System (GASB 68)

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 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members 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, 2017 were \$1,145,876, which was equal to the 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, 2017, the County reported a liability of \$14,047,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 December 31, 2016 (measured as of June 30, 2016), the County's proportion was .28067181%. At December 31, 2017 (measured as of June 30, 2017), the County's proportion was 0.28563969%, which was an increase of .00496788% from its previous year proportion.

For the year ended December 31, 2017, the County recognized pension expense of \$1,637,672. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,852	\$ 178,788
Changes of assumptions	1,410,578	-
Net difference between projected and actual earnings on investments	-	178,905
Changes in proportion and differences between contributions and proportionate share of contributions	577,270	-
Contributions subsequent to the measurement date	<u>592,337</u>	<u>-</u>
Total	<u>\$ 2,612,037</u>	<u>\$ 357,693</u>

\$592,337 reported as 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 2018. Other 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>	
2018	\$ (406,121)
2019	(777,536)
2020	(654,499)
2021	<u>176,149</u>
Total	\$ <u>(1,662,007)</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016 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	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:

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.75%
Opportunistic	5.00	2.84%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 18,507,191	\$ 14,047,739	\$ 10,393,395

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.

15. 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 years.

16. 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.

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 Statements 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. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria for employers whose employees are provided with defined benefit contribution OPEB.

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
General Fund:				
County taxes	\$ 15,084,791	\$ 15,084,791	\$ 15,084,791	\$ -
West Stewartstown nursing home	5,808,130	5,808,130	5,563,523	(244,607)
Berlin nursing home	7,403,454	7,403,454	7,684,002	280,548
Charges for services	575,150	575,150	616,709	41,559
Intergovernmental	2,130,555	2,130,555	2,423,529	292,974
Payment in lieu of taxes	206,000	206,000	237,404	31,404
Investment income	4,200	4,200	4,050	(150)
Miscellaneous	35,000	35,000	214,924	179,924
Total General Fund	31,247,280	31,247,280	31,828,932	581,652
Other Funds:				
Grants	500,000	500,000	-	(500,000)
Transfer station	27,500	27,500	27,500	-
Recycling center	32,700	32,700	131,787	99,087
Total Revenues	31,807,480	31,807,480	31,988,219	180,739
Expenditures:				
General Fund:				
General government	1,285,790	1,285,790	1,226,882	58,908
Public safety	1,078,225	1,078,225	877,297	200,928
Corrections	2,458,150	2,458,150	2,158,699	299,451
Human services	6,452,550	6,452,550	6,365,064	87,486
Cooperative extension	253,360	253,360	240,509	12,851
Economic development	45,000	45,000	45,000	-
West Stewartstown nursing home	10,713,004	10,713,004	10,369,206	343,798
Berlin nursing home	11,879,815	11,879,815	11,280,134	599,681
Capital outlay	82,300	82,300	154,379	(72,079)
Debt service:				
Principal	51,670	51,670	52,623	(953)
Interest	56,250	56,250	55,288	962
Total General Fund	34,356,114	34,356,114	32,825,081	1,531,033
Other Funds:				
Grants	500,000	500,000	-	500,000
Transfer station	27,590	27,590	27,476	114
Recycling center	103,700	103,700	111,636	(7,936)
Total Expenditures	34,987,404	34,987,404	32,964,193	2,023,211
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,179,924)	(3,179,924)	(975,974)	2,203,950
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	2,972,590	2,972,590	2,972,590	-
Use of fund balance - recycling center	71,000	71,000	71,000	-
Use of reserve funds	155,804	155,804	155,804	-
Proceeds of notes	30,530	30,530	30,530	-
Reserve for 53rd payroll in 2020	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	3,179,924	3,179,924	3,179,924	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 2,203,950	\$ 2,203,950

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 324,247	\$ 324,247	\$ 324,247	\$ -
Licenses and permits	27,560	27,560	29,979	2,419
Penalties, interest, and other taxes	289,766	289,766	292,188	2,422
Intergovernmental	36,186	36,186	20,037	(16,149)
Payment in lieu of taxes	632,740	632,740	633,762	1,022
Investment income	219	219	218	(1)
Miscellaneous	16,812	16,812	4,169	(12,643)
Total Revenues	1,327,530	1,327,530	1,304,600	(22,930)
Expenditures:				
General government	312,109	312,109	195,326	116,783
Public safety	94,218	94,218	77,586	16,632
Highways and streets	7,500	7,500	7,500	-
Health and welfare	6,000	6,000	-	6,000
Sanitation	31,750	31,750	31,292	458
Conservation	78,000	78,000	78,000	-
County taxes	918,564	918,564	918,564	-
School districts	6,400	6,400	8,184	(1,784)
Debt service:				
Principal	8,544	8,544	9,000	(456)
Interest	2,192	2,192	2,192	-
Total Expenditures	1,465,277	1,465,277	1,327,644	137,633
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(137,747)	(137,747)	(23,044)	114,703
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	196,752	196,752	196,752	-
NH DRA special adjustment	(59,005)	(59,005)	(59,005)	-
Total Other Financing Sources (Uses)	137,747	137,747	137,747	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 114,703	\$ 114,703

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 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	\$ 31,828,932	\$ 32,820,962
Nonmajor Governmental Funds	<u>159,287</u>	<u>139,112</u>
Subtotal (GAAP Basis)	31,988,219	32,960,074
Reverse beginning of year appropriation carryforwards from expenditures	-	(11,219)
Record end of year appropriation carryforwards	<u>-</u>	<u>15,338</u>
Budgetary Basis	<u>\$ 31,988,219</u>	<u>\$ 32,964,193</u>

*General Fund and Nonmajor Governmental Funds.

<u>Unincorporated Places</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures - (GAAP Basis)	\$ 1,299,948	\$ 1,327,644
Adjust tax revenue to accrual basis	<u>4,652</u>	<u>-</u>
Budgetary Basis	<u>\$ 1,304,600</u>	<u>\$ 1,327,644</u>

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (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%
7/1/2017	\$ -	\$ 12,142,694	\$ 12,142,694	0%	\$ 12,363,643	98%

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(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%
December 31, 2017	June 30,2017	0.28563969%	\$ 14,047,739	\$ 8,503,929	165.19%	62.66%

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 (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

New Hampshire Retirement System					
<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%
December 31, 2017	\$ 1,145,876	\$ 1,145,876	\$ -	\$ 8,597,632	13.33%

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

See Independent Auditors' Report.