

COUNTY OF COÖS, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2018

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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 County of Coös, New Hampshire (the County), as of and for the year ended December 31, 2018, and the related notes to financial statements which collectively comprise County of Coös, New Hampshire'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 County of Coös, New Hampshire, as of December 31, 2018, 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 certain budgetary, pension and OPEB schedules 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

July 16, 2019

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, 2018.

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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements, and (4) required supplementary information.

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. Additionally, they distinguish functions that are principally supported by County taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

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 financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent 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 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.

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 are provided to facilitate the comparison between governmental funds and governmental activities.

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.

Required supplementary 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 \$(21,120,422) (i.e., net position), a change of \$355,847 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,288,269, a change of \$979,525 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$660,906, a change of \$159,054 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>2018</u>	<u>2017</u>
Current assets	\$ 9,147,760	\$ 7,974,371
Noncurrent assets	4,310,518	4,237,421
Total assets	<u>13,458,278</u>	<u>12,211,792</u>
Deferred outflows of resources	1,558,712	2,612,037
Current liabilities	3,925,724	3,345,311
Noncurrent liabilities	30,087,140	18,640,113
Total liabilities	<u>34,012,864</u>	<u>21,985,424</u>
Deferred inflows of resources	2,124,548	357,693
Net position:		
Net investment in capital assets	3,465,459	3,667,044
Restricted	2,664,131	2,710,929
Unrestricted	<u>(27,250,012)</u>	<u>(13,897,261)</u>
Total net position	<u>\$ (21,120,422)</u>	<u>\$ (7,519,288)</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,014,345	\$ 11,720,195
Operating grants and contributions	2,486,667	2,258,719
General revenues:		
County taxes, net	14,624,792	14,166,227
Property taxes	424,506	319,595
Licenses and permits	30,002	29,979
Penalties, interest, and other taxes	272,220	292,188
Grants and contributions not restricted to specific programs	3,772,326	2,389,086
Payment in lieu of taxes	924,844	871,166
Investment income	16,382	4,508
Miscellaneous	110,311	303,675
Total revenues	<u>35,676,395</u>	<u>32,355,338</u>

(continued)

(continued)

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Expenses:		
General government	1,733,125	1,819,282
Public safety	1,112,892	905,798
Corrections	2,316,685	2,365,096
Human services	6,508,930	6,365,064
Cooperative extension	254,474	276,002
Economic development	45,000	45,000
Highways and streets	7,500	7,500
Sanitation	28,908	31,292
Conservation	78,000	78,000
School districts	7,177	8,184
West Stewartstown nursing home	10,700,330	10,350,133
Berlin nursing home	12,456,656	12,082,468
Interest	70,871	57,480
Total expenses	<u>35,320,548</u>	<u>34,391,299</u>
Change in net position	355,847	(2,035,961)
Net position - beginning of year, as restated *	<u>(21,476,269)</u>	<u>(5,483,327)</u>
Net position - end of year	<u>\$ (21,120,422)</u>	<u>\$ (7,519,288)</u>

* Net position reported above for 2017 was not restated to reflect the implementation of GASB 75, as the County applied GASB 75 prospectively.

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 \$(21,120,422), a change of \$355,847 from the prior year.

The largest portion of net position, \$3,465,459, 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, \$2,664,131, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit, primarily a result of the implementation of GASB 68 and GASB 75 related to the net pension liability and the net OPEB liability.

Governmental activities for the year resulted in a change in net position of \$355,847. Key elements of this change are as follows:

Governmental funds operating results	\$ 979,525
Purchase of capital assets, net of notes payable proceeds and refinancing	286,827
Loss on disposal of capital assets	(17,281)
Depreciation expense in excess of principal debt service	(471,131)
Change in compensated absence liability	(147,920)
Change in net pension liability and related deferrals	(116,361)
Change in net OPEB liability and related deferrals	<u>(157,812)</u>
Total	<u>\$ 355,847</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.

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, the combined ending fund balance for all governmental funds was \$7,288,269, a change of \$979,525 in comparison to the prior year. Elements of this change relate to the following operating results:

General Fund	\$ 1,026,935
Unincorporated Places Fund	(44,619)
Nonmajor Governmental Funds	<u>(2,791)</u>
Total	<u>\$ 979,525</u>

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$660,906, while total fund balance was \$5,173,525. 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>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Unassigned fund balance	\$ 660,906	\$ 501,852	\$ 159,054
Total fund balance	\$ 5,173,525	\$ 4,146,590	\$ 1,026,935

As a percentage of total budgeted expenditures:

Unassigned fund balance	1.8%	1.5%	0.3%
Total fund balance	14.2%	12.1%	2.1%

E. BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$340,928. This change relates to a supplemental appropriation to reserve excess Proshare funds for the IDN.

Below is a reconciliation between the 2018 budgetary surplus and the change in fund balance for all funds, excluding the Unincorporated Places Fund (refer to Notes to Required Supplementary Information).

	<u>Nonmajor Governmental Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Grants Fund</u>	<u>Transfer Station Fund</u>	<u>Recycling Center Fund</u>	
Revenues in excess (less than) of budget	\$ 1,571,120	\$ (500,000)	\$ 250	\$ 86,293	\$ 1,157,663
Expenditures less than (in excess of) appropriations	<u>1,515,432</u>	<u>500,000</u>	<u>(282)</u>	<u>(8,097)</u>	<u>2,007,053</u>
Subtotal - budgetary results	3,086,552	-	(32)	78,196	3,164,716
Use of fund balance - reduce taxes	(2,439,000)	-	-	-	(2,439,000)
Use of fund balance - recycling center	-	-	-	(80,000)	(80,000)
Use of reserve funds	(12,500)	-	-	-	(12,500)
Reserve for 53rd payroll in 2020	50,000	-	-	-	50,000
Reserve excess Proshare funds for IDN	340,928	-	-	-	340,928
Other GAAP adjustments	<u>955</u>	<u>-</u>	<u>(955)</u>	<u>-</u>	<u>-</u>
Total - GAAP basis	<u>\$ 1,026,935</u>	<u>\$ -</u>	<u>\$ (987)</u>	<u>\$ (1,804)</u>	<u>\$ 1,024,144</u>

F. CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$4,310,518 (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 \$845,059, 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, 2018

	Governmental <u>Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and short-term investments	\$ 5,427,292
Restricted cash	935,463
Receivables:	
Property taxes	261,847
Accounts	1,426,807
Intergovernmental	973,256
Prepaid expenses	632
Inventory	<u>122,463</u>
Total Current Assets	9,147,760
Noncurrent Assets:	
Capital Assets:	
Land	97,519
Construction in progress	411,025
Capital assets, net of accumulated depreciation	<u>3,801,974</u>
Total Noncurrent Assets	<u>4,310,518</u>
Total Assets	13,458,278
Deferred Outflows of Resources:	
Related to pensions	1,482,236
Related to OPEB	<u>76,476</u>
Total Deferred Outflows of Resources	<u>1,558,712</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	15,016,990
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities:	
Accounts payable	1,368,001
Accrued payroll and related liabilities	435,317
Other liabilities	56,173
Current portion of noncurrent liabilities:	
Notes payable	349,765
Compensated absences	<u>1,716,468</u>
Total Current Liabilities	3,925,724
Noncurrent Liabilities:	
Notes payable, net of current portion	495,294
Compensated absences, net of current portion	1,768,495
Net pension liability	12,490,624
Net OPEB liability	<u>15,332,727</u>
Total Noncurrent Liabilities	<u>30,087,140</u>
Total Liabilities	34,012,864
Deferred Inflows of Resources:	
Related to pensions	901,368
Related to OPEB	<u>1,223,180</u>
Total Deferred Inflows of Resources	<u>2,124,548</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	36,137,412
NET POSITION	
Net investment in capital assets	3,465,459
Restricted for grants and other statutory restrictions	2,664,131
Unrestricted	<u>(27,250,012)</u>
TOTAL NET POSITION	\$ <u>(21,120,422)</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, 2018

		Program Revenues		Net (Expenses) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 1,733,125	\$ 376,253	\$ 49,972	\$ (1,306,900)
Public safety	1,112,892	288,468	33,833	(790,591)
Corrections	2,316,685	5,622	-	(2,311,063)
Human services	6,508,930	-	-	(6,508,930)
Cooperative extension	254,474	-	-	(254,474)
Economic development	45,000	-	-	(45,000)
Highways and streets	7,500	-	-	(7,500)
Sanitation	28,908	-	-	(28,908)
Conservation	78,000	-	-	(78,000)
School districts	7,177	-	-	(7,177)
West Stewartstown nursing home	10,700,330	5,003,258	887,281	(4,809,791)
Berlin nursing home	12,456,656	7,340,744	1,515,581	(3,600,331)
Interest	70,871	-	-	(70,871)
	\$ 35,320,548	\$ 13,014,345	\$ 2,486,667	(19,819,536)
		General Revenues:		
		County taxes, net		14,624,792
		Property taxes		424,506
		Licenses and permits		30,002
		Penalties, interest, and other taxes		272,220
		Grants and contributions not restricted to specific programs		3,772,326
		Payment in lieu of taxes		924,844
		Investment income		16,382
		Miscellaneous		110,311
				Total General Revenues
				20,175,383
				Change in Net Position
				355,847
		Net Position:		
		Beginning of year, as restated		(21,476,269)
				End of year
				\$ (21,120,422)

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

COUNTY OF COÖS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2018

	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	\$ 3,593,737	\$ 1,595,592	\$ 237,963	\$ 5,427,292
Restricted cash	935,463	-	-	935,463
Receivables:				
Property taxes	-	261,847	-	261,847
Accounts	1,407,465	14,129	5,213	1,426,807
Intergovernmental	973,256	-	-	973,256
Prepaid expenses	632	-	-	632
Inventory	122,463	-	-	122,463
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>7,033,016</u>	\$ <u>1,871,568</u>	\$ <u>243,176</u>	\$ <u>9,147,760</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,368,001	\$ -	\$ -	\$ 1,368,001
Accrued payroll and related liabilities	435,317	-	-	435,317
Other liabilities	56,173	-	-	56,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,859,491	-	-	1,859,491
Fund Balances:				
Nonspendable	123,095	-	-	123,095
Restricted	549,387	1,871,568	243,176	2,664,131
Committed	887,637	-	-	887,637
Assigned	2,952,500	-	-	2,952,500
Unassigned	660,906	-	-	660,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	5,173,525	1,871,568	243,176	7,288,269
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>7,033,016</u>	\$ <u>1,871,568</u>	\$ <u>243,176</u>	\$ <u>9,147,760</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, 2018

Total governmental fund balances	\$ 7,288,269
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	4,310,518
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Notes payable	(845,059)
Compensated absences	(3,484,963)
Net pension liability and related deferred outflows/inflows of resources	(11,909,756)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(16,479,431)</u>
Net position of governmental activities	<u>\$ (21,120,422)</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, 2018

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
County taxes	\$ 15,573,805	\$ -	\$ -	\$ 15,573,805
Property taxes	-	424,506	-	424,506
Licenses and permits	-	30,002	-	30,002
Penalties, interest, and other taxes	-	272,220	-	272,220
West Stewartstown nursing home	5,890,539	-	-	5,890,539
Berlin nursing home	8,856,325	-	-	8,856,325
Charges for services	609,778	-	60,565	670,343
Intergovernmental	3,845,916	10,215	-	3,856,131
Payment in lieu of taxes	262,937	661,907	-	924,844
Investment income	14,622	1,088	672	16,382
Miscellaneous	39,376	2,597	85,621	127,594
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	35,093,298	1,402,535	146,858	36,642,691
Expenditures:				
Current:				
General government	1,297,682	195,640	121,954	1,615,276
Public safety	914,910	170,403	-	1,085,313
Corrections	2,187,956	-	-	2,187,956
Human services	6,508,930	-	-	6,508,930
Cooperative extension	246,426	-	-	246,426
Economic development	45,000	-	-	45,000
Highways and streets	-	7,500	-	7,500
Sanitation	-	28,908	-	28,908
Conservation	-	78,000	-	78,000
County taxes	-	949,013	-	949,013
School districts	-	7,177	-	7,177
West Stewartstown nursing home	10,519,675	-	-	10,519,675
Berlin nursing home	12,100,296	-	-	12,100,296
Capital outlay	409,812	50,000	27,695	487,507
Debt service:				
Principal	52,362	9,000	-	61,362
Interest	69,358	1,513	-	70,871
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	34,352,407	1,497,154	149,649	35,999,210
Excess (deficiency) of revenues over expenditures	740,891	(94,619)	(2,791)	643,481
Other Financing Sources (Uses):				
Proceeds of note	286,044	104,000	-	390,044
Refinanced note payoff	-	(54,000)	-	(54,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	286,044	50,000	-	336,044
Change in Fund Balance	1,026,935	(44,619)	(2,791)	979,525
Fund Balances, at Beginning of Year	4,146,590	1,916,187	245,967	6,308,744
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, at End of Year	\$ 5,173,525	\$ 1,871,568	\$ 243,176	\$ 7,288,269

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, 2018

Change in fund balances - governmental funds	\$ 979,525
<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	622,871
Loss on disposal of capital assets	(17,281)
Depreciation	(532,493)
<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	(390,044)
Refinancing of notes payable	54,000
Repayments of notes payable	61,362
<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 governmental funds:	
Compensated absences	(147,920)
Net pension liability and related deferred outflows/inflows of resources	(116,361)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(157,812)</u>
Change in net position - governmental activities	<u>\$ 355,847</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, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and short-term investments	\$ <u>215,215</u>
Total Assets	\$ <u><u>215,215</u></u>
LIABILITIES	
Due to others	\$ <u>215,215</u>
Total Liabilities	\$ <u><u>215,215</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 significant accounting policies:

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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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.

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, claims and judgments, and pension and OPEB costs are recorded as expenditures 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 unincorporated places in the County.

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 categorized as fiduciary funds and 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). Agency funds report only asset and liabilities and, therefore, have no measurement focus.

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, savings accounts, 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.

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.

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

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested vacation and sick 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.

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.

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 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.

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 year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

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. 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.

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, 2018, none of the County’s bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$935,463 is composed of amounts from the Registry of Deeds surcharge fund, decommission fund, facility fund, sick leave trust, and vehicle reserve.

5. Property 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, 2018, taxes receivable consist of 2018 property taxes.

6. Accounts Receivable

Accounts receivable at December 31, 2018 consists primarily of amounts owed to the County for nursing home residents' daily room charges during 2018.

7. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2018 consists primarily of amounts due from the State of New Hampshire for Medicaid Quality Incentive Payments (MQIP) supplemental payments.

8. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 539	\$ 50	\$ -	\$ 589
Buildings and improvements	7,708	52	-	7,760
Equipment and vehicles	<u>2,509</u>	<u>229</u>	<u>(101)</u>	<u>2,637</u>
Total capital assets, being depreciated	10,756	331	(101)	10,986
Less accumulated depreciation for:				
Land improvements	(407)	(26)	-	(433)
Buildings and improvements	(4,687)	(266)	-	(4,953)
Equipment and vehicles	<u>(1,642)</u>	<u>(240)</u>	<u>84</u>	<u>(1,798)</u>
Total accumulated depreciation	<u>(6,736)</u>	<u>(532)</u>	<u>84</u>	<u>(7,184)</u>
Total capital assets, being depreciated, net	4,020	(201)	(17)	3,802
Capital assets, not being depreciated:				
Land	98	-	-	98
Construction in progress	<u>120</u>	<u>291</u>	<u>-</u>	<u>411</u>
Total capital assets, not being depreciated	<u>218</u>	<u>291</u>	<u>-</u>	<u>509</u>
Governmental activities capital assets, net	<u>\$ 4,238</u>	<u>\$ 90</u>	<u>\$ (17)</u>	<u>\$ 4,311</u>

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

General government	\$ 42
Public safety	71
Corrections	37
Cooperative extension	4
Nursing homes	<u>378</u>
Total depreciation expense	<u>\$ 532</u>

9. 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 pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Tax Anticipation Notes Payable

The following summarizes tax anticipation notes payable activity during 2018:

<u>Issue Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
\$ 10,000,000	02/23/18	12/31/18	1.90%	\$ <u>-</u>	\$ <u>7,900,000</u>	\$ <u>(7,900,000)</u>	\$ <u>-</u>

On March 13, 2019, the County issued a \$10,000,000 tax anticipation note with a maturity date of December 31, 2019 and an interest rate of 2.45%.

11. Long-Term Liabilities

Notes Payable

The County has notes payable related to major capital improvements. Notes payable outstanding are as follows:

	<u>Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Berlin Nursing Home Roof	10/01/26	1.90%	\$ 455,015
Water System Improvements*	N/A	1.00%	286,044
Wentworth Location Rip Rap Project	09/12/28	2.70%	<u>104,000</u>
Total			<u>\$ 845,059</u>

*This note was issued through the State of New Hampshire Drinking Water State Revolving Loan Fund program and will be converted to a term note upon substantial completion of the project.

Future Debt Service

Annual payments to retire notes payable as of December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 349,765	\$ 11,108	\$ 360,873
2020	64,713	10,205	74,918
2021	65,766	8,864	74,630
2022	66,818	7,531	74,349
2023	67,890	6,178	74,068
2024 - 2026	<u>230,107</u>	<u>11,069</u>	<u>241,176</u>
Total	<u>\$ 845,059</u>	<u>\$ 54,955</u>	<u>\$ 900,014</u>

The General Fund has been designated as the source to repay the notes payable outstanding as of December 31, 2018.

Changes in General Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 1/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/18</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/18</u>
Notes payable	\$ 570	\$ 390	\$ (115)	\$ 845	\$ (350)	\$ 495
Compensated absences	3,337	148	-	3,485	(1,716)	1,769
Net pension liability	14,048	-	(1,557)	12,491	-	12,491
Net OPEB liability *	<u>16,322</u>	<u>-</u>	<u>(989)</u>	<u>15,333</u>	<u>-</u>	<u>15,333</u>
Totals	<u>\$ 34,277</u>	<u>\$ 538</u>	<u>\$ (2,661)</u>	<u>\$ 32,154</u>	<u>\$ (2,066)</u>	<u>\$ 30,088</u>

*As restated for GASB 75.

12. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the County that is 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 pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

13. Governmental Funds - 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 has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2018:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority.

Assigned - Represents amounts that are constrained by the County's intent to use these resources for a specific purpose. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet received.

Unassigned - Represents amounts that are available to be spent in future periods and deficit funds.

The following is a summary of fund balances at December 31, 2018:

	General Fund	Unincorporated Places Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 632	\$ -	\$ -	\$ 632
Inventory	122,463	-	-	122,463
Total Nonspendable	123,095	-	-	123,095
Restricted:				
Decommission fund	508,366	-	-	508,366
Deeds surcharge account	41,021	-	-	41,021
Unincorporated places	-	1,871,568	-	1,871,568
Recycling center	-	-	183,068	183,068
Transfer station	-	-	60,108	60,108
Total Restricted	549,387	1,871,568	243,176	2,664,131
Committed:				
Sick pay reserve	212,814	-	-	212,814
Facility reserve	122,554	-	-	122,554
Vehicle reserve	50,910	-	-	50,910
53rd payroll reserve	150,000	-	-	150,000
IDN reserve	340,928	-	-	340,928
West Stewartstown nursing home renovation and equipment reserve	9,981	-	-	9,981
Patient unclaimed funds (RSA 151-A:15)	400	-	-	400
Security deposits - electronic monitoring	50	-	-	50
Total Committed	887,637	-	-	887,637
Assigned:				
Subsequent year budget	2,952,500	-	-	2,952,500
Total Assigned	2,952,500	-	-	2,952,500
Unassigned:				
Remaining fund balance	660,906	-	-	660,906
Total Unassigned	660,906	-	-	660,906
Total Fund Balances	\$ 5,173,525	\$ 1,871,568	\$ 243,176	\$ 7,288,269

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).

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 benefi-

ciaries. 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.

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.

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 11.38% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2018 were \$1,178,461, which was equal to the annual required contribution.

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.

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

At December 31, 2018, the County reported a liability of \$12,490,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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 the most recent measurement date of June 30, 2018, the County's proportion was .25939975%, which was a decrease of .02623994% from its previous year proportion.

For the year ended December 31, 2018, the County recognized pension expense of \$1,138,522. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 99,697	\$ 101,137
Changes of assumptions	864,412	-
Net difference between projected and actual earnings on investments	-	289,044
Changes in proportion and differences between contributions and proportionate share of contributions	-	511,187
Contributions subsequent to the measurement date	<u>518,127</u>	<u>-</u>
Total	<u>\$ 1,482,236</u>	<u>\$ 901,368</u>

\$518,127 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 2019. 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>	
2019	\$ (429,688)
2020	(320,189)
2021	447,593
2022	<u>239,543</u>
Total	\$ <u>(62,741)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 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	4.50%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	7.00	1.14%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.25%
Opportunistic	5.00	2.15%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

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.

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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 16,618,876	\$ 12,490,624	\$ 9,031,020

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. Other Post-Employment Benefits – OPEB (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for recognizing and measuring assets, liabilities, deferred outflows/inflows of resources, and expenditures related to other post-employment benefits (OPEB) liabilities and identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

County OPEB Plan

Plan Description

The County indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the County who participate in the single-employer plan pay 100% of the healthcare premiums to participate in the County’s healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees, due to the age of consideration. This increased rate is an implicit subsidy the County pays for the retirees.

The County’s OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The County provides post-employment healthcare benefits for retirees and their dependents. Benefits are provided through the County, and the full cost of benefits is shared between the County and retirees.

Membership Data

As of January 1, 2018, the valuation date, OPEB plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	49
Active employees	<u>289</u>
Total	<u>338</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6%
Discount rate	4.1%
Healthcare cost trend rates	8% for 2018, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.8%, utilizing the Society of Actuaries Getzen Medical Trend Model. The ultimate medical inflation rate is reached in 2075.
Pre-Retirement Mortality - General and Public Safety employees	RP-2014 Employee Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.
Post-Retirement Mortality - General and Public Safety employees	RP-2014 Healthy Annuitant Mortality Tables for males and females, projected with generational mortality improvement using scale MP-2015.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.1%, which was based on the municipal bond rate.

Changes in the Total OPEB Liability

Total OPEB liability at December 31, 2017	\$ 15,831,599
Service cost	201,736
Interest	545,078
Assumption changes	(1,549,251)
Benefit payments	<u>(376,109)</u>
Total OPEB liability at December 31, 2018	\$ <u>14,653,053</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 17,095,543	\$ 14,653,053	\$ 12,695,644

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 12,483,479	\$ 14,653,053	\$ 17,358,997

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$418,583. At December 31, 2018, the County reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Change in assumptions	\$ <u>-</u>	\$ <u>1,221,020</u>
Total	\$ <u>-</u>	\$ <u>1,221,020</u>

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

<u>Year Ended December 31:</u>	
2019	\$ 328,231
2020	328,231
2021	328,231
2022	<u>236,327</u>
Total	\$ <u>1,221,020</u>

New Hampshire Retirement System Medical Subsidy Plan

Plan Description

In addition to the County's OPEB plan discussed above, the County participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan (MSP). The NHRS MSP is a cost-sharing, multiple-employer other post-employment benefit plan for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees.

Benefits Provided

NHRS MSP provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving MSP benefits differ for Group I and Group II members. The monthly MSP rates are:

1 Person - \$375.56
2 Person - \$751.12
1 Person Medicare Supplement - \$236.84
2 Person Medicare Supplement - \$473.68

Actuarial Assumptions and Other Inputs

The County's proportionate share of the NHRS MSP OPEB liability as of December 31, 2018 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	5.60%
Investment rate of return	7.25%
Discount rate	3.25%

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The County's proportionate share of the net OPEB liability for the NHRS MSP as of the measurement date of June 30, 2018 was \$679,674.

For the year ended December 31, 2018, the County recognized expense related to the NHRS MSP of \$207,069. At December 31, 2018, the County reported related deferred inflows and outflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 32,315	\$ -
Difference between expected and actual experience	3,990	-
Changes in proportion	40,171	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>2,160</u>
Total	<u>\$ 76,476</u>	<u>\$ 2,160</u>

Contributions subsequent to the measurement date and before the end of the year will be included as a reduction of the net OPEB liability in 2019.

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

<u>Year Ended December 31:</u>	
2019	\$ (43,487)
2020	674
2021	674
2022	<u>138</u>
Total	\$ <u>(42,001)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 707,407	\$ 679,674	\$ 601,987

Consolidation of OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the County's total OPEB liability and related deferred outflows/inflows, and the County's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2018:

	<u>Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
County OPEB Plan	\$ 14,653,053	\$ -	\$ 1,221,020
NHRS Medical Subsidy Plan	<u>679,674</u>	<u>76,476</u>	<u>2,160</u>
Total	\$ <u>15,332,727</u>	\$ <u>76,476</u>	\$ <u>1,223,180</u>

16. Commitments and Contingencies

Outstanding Legal Matters – On an ongoing basis, there are typically pending legal matters in which the County is involved. The County’s management is of the opinion that the potential future settlement of these matters 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. Beginning Net Position Restatement

The beginning (January 1, 2018) net position of the County has been restated from the previous year to conform to GASB Statement No. 75. In accordance with GASB Statement No. 75, the County has elected to apply the standard prospectively and not recalculate OPEB related deferred outflows and inflows for prior periods.

	<u>Governmental Activities</u>
As previously reported	\$ (7,519,288)
GASB 75 implementation	<u>(13,956,981)</u>
As restated	<u>\$ (21,476,269)</u>

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, 2018

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Supplemental Appropriation	Final Budget		
Revenues:					
General Fund:					
County taxes	\$ 15,573,805	\$ -	\$ 15,573,805	\$ 15,573,805	\$ -
West Stewartstown nursing home	5,929,570	-	5,929,570	5,890,539	(39,031)
Berlin nursing home	8,644,210	-	8,644,210	8,856,325	212,115
Charges for services	633,375	-	633,375	609,778	(23,597)
Intergovernmental	2,136,090	340,928	2,477,018	3,845,916	1,368,898
Payment in lieu of taxes	225,000	-	225,000	262,937	37,937
Investment income	4,200	-	4,200	14,622	10,422
Miscellaneous	35,000	-	35,000	39,376	4,376
Total General Fund	33,181,250	340,928	33,522,178	35,093,298	1,571,120
Other Funds:					
Grants	500,000	-	500,000	-	(500,000)
Transfer station	27,500	-	27,500	27,750	250
Recycling center	32,815	-	32,815	119,108	86,293
Total Revenues	33,741,565	340,928	34,082,493	35,240,156	1,157,663
Expenditures:					
General Fund:					
General government	1,378,665	-	1,378,665	1,297,682	80,983
Public safety	1,096,660	-	1,096,660	914,910	181,750
Corrections	2,460,575	-	2,460,575	2,187,956	272,619
Human services	6,550,080	340,928	6,891,008	6,849,858	41,150
Cooperative extension	278,535	-	278,535	246,426	32,109
Economic development	45,000	-	45,000	45,000	-
West Stewartstown nursing home	10,962,845	-	10,962,845	10,519,675	443,170
Berlin nursing home	12,579,965	-	12,579,965	12,100,296	479,669
Capital outlay	1,007,380	-	1,007,380	1,023,768	(16,388)
Debt service:					
Principal	53,050	-	53,050	52,362	688
Interest	69,040	-	69,040	69,358	(318)
Total General Fund	36,481,795	340,928	36,822,723	35,307,291	1,515,432
Other Funds:					
Grants	500,000	-	500,000	-	500,000
Transfer station	28,455	-	28,455	28,737	(282)
Recycling center	112,815	-	112,815	120,912	(8,097)
Total Expenditures	37,123,065	340,928	37,463,993	35,456,940	2,007,053
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(3,381,500)	-	(3,381,500)	(216,784)	3,164,716
Other Financing Sources (Uses):					
Use of fund balance - reduce taxes	2,439,000	-	2,439,000	2,439,000	-
Use of fund balance - recycling center	80,000	-	80,000	80,000	-
Use of reserve funds	12,500	-	12,500	12,500	-
Proceeds of notes	900,000	-	900,000	900,000	-
Reserve for 53rd payroll in 2020	(50,000)	-	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	3,381,500	-	3,381,500	3,381,500	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ 3,164,716	\$ 3,164,716

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, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 423,826	\$ 423,826	\$ 423,826	\$ -
Licenses and permits	22,212	22,212	30,002	7,790
Penalties, interest, and other taxes	270,553	270,553	272,220	1,667
Intergovernmental	12,810	12,810	10,215	(2,595)
Payment in lieu of taxes	661,959	661,959	661,907	(52)
Investment income	1,059	1,059	1,088	29
Miscellaneous	-	-	2,597	2,597
Total Revenues	1,392,419	1,392,419	1,401,855	9,436
Expenditures:				
General government	302,519	302,519	195,640	106,879
Public safety	184,102	184,102	170,403	13,699
Highways and streets	7,500	7,500	7,500	-
Health and welfare	1,500	1,500	-	1,500
Sanitation	32,250	32,250	28,908	3,342
Conservation	78,101	78,101	78,000	101
County taxes	949,013	949,013	949,013	-
School districts	7,450	7,450	7,177	273
Capital outlay	50,000	50,000	50,000	-
Debt service:				
Principal	9,000	9,000	9,000	-
Interest	1,600	1,600	1,513	87
Total Expenditures	1,623,035	1,623,035	1,497,154	125,881
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(230,616)	(230,616)	(95,299)	135,317
Other Financing Sources (Uses):				
Use of fund balance - reduce taxes	99,770	99,770	99,770	-
NH DRA special adjustment	80,846	80,846	80,846	-
Proceeds of notes, net	50,000	50,000	50,000	-
Total Other Financing Sources (Uses)	230,616	230,616	230,616	-
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 135,317	\$ 135,317

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	\$ 35,093,298	\$ 34,352,407
Nonmajor Governmental Funds	<u>146,858</u>	<u>149,649</u>
Subtotal (GAAP Basis)	35,240,156	34,502,056
Reserve excess Proshare for IDN	-	340,928
Unspent State of New Hampshire Drinking Water State Revolving Loan Fund proceeds	<u>-</u>	<u>613,956</u>
Budgetary Basis	<u>\$ 35,240,156</u>	<u>\$ 35,456,940</u>

*General Fund and Nonmajor Governmental Funds.

<u>Unincorporated Places</u>	<u>Revenues</u>	<u>Expenditures</u>
Revenues/Expenditures - (GAAP Basis)	\$ 1,402,535	\$ 1,497,154
Adjust tax revenue to accrual basis	<u>(680)</u>	<u>-</u>
Budgetary Basis	<u>\$ 1,401,855</u>	<u>\$ 1,497,154</u>

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, 2018

(Unaudited)

New Hampshire Retirement System

<u>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%
December 31, 2018	June 30, 2018	0.25939975%	\$ 12,490,624	\$ 8,600,476	145.23%	64.73%

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, 2018

(Unaudited)

New Hampshire Retirement System					
<u>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%
December 31, 2018	\$ 1,178,461	\$ 1,178,461	\$ -	\$ 8,681,374	13.57%

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2018	June 30, 2018	0.14845033%	\$ 679,674	\$ 8,600,476	7.90%	7.53%

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

See Independent Auditors' Report.

COUNTY OF COÖS, NEW HAMPSHIRE

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

County of Coös, New Hampshire OPEB Plan

Schedule of Changes in Total OPEB Liability*

	<u>2018</u>
Total OPEB liability - beginning	\$ 15,831,599
Changes for the year:	
Service cost	201,736
Interest	545,078
Assumption changes	(1,549,251)
Benefit payments	<u>(376,109)</u>
Net change in total OPEB liability	<u>(1,178,546)</u>
Total OPEB liability - ending	<u>\$ 14,653,053</u>

*Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions*

	<u>2018</u>
Actuarially determined contribution	\$ 1,062,938
Contributions in relation to the actuarially determined contribution	<u>(376,109)</u>
Contribution deficiency (excess)	<u>\$ 686,829</u>

*Does not include New Hampshire Retirement System Medical Subsidy.

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

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.