

COUNTY OF CHESHIRE, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
December 31, 2023
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

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FINANCIAL STATEMENTS
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Cheshire, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire (the County), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the County's proportionate share of the net OPEB liability, schedule of County OPEB contributions, schedule of changes in the County's total OPEB liability and related ratios, schedule of changes in the County's proportionate share of the net pension liability, and schedule of County pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Cheshire, New Hampshire's internal control over financial reporting and compliance.

Vachon Clukay & Company PC

Manchester, New Hampshire
June 14, 2024

**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

The discussion and analysis of Cheshire County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2023. The intent of this discussion and analysis is to look at the County's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2023 are as follows:

- The County's net position for year-end was \$41,523,229 an increase of \$4,912,701 which represents a 13.42% increase over the 2022 net position of \$36,610,528. The major increase is due to the reduction in bonded debt and other liabilities.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$24,325,321 an increase of \$1,529,133 from the prior year balance of \$22,796,188. Of this amount, \$19,985,655 is available for spending (unassigned).
- At the end of the current year, unassigned fund balance for the General Fund was \$20,513,279, which represents a 9.71% increase from the prior year balance of \$18,697,963.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. These statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The County's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements.

This report also contains other 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 the County's finances, in a manner similar to a private-sector business.

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the balance reported as net position. The statement of activities presents information showing how the County's net position changed during the current year. These statements are prepared using the accrual basis of accounting similar to the accounting method used by private sector companies. This basis of accounting takes into consideration all of the current year's revenues and expenses, regardless of when the cash is received or paid.

The change in net position is important because it tells the reader whether, for the County as a whole, the financial position of the County has improved or diminished. However, in evaluating the overall

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

position of the County, non-financial information such as changes in the County's tax base and the condition of the County's capital assets will also need to be evaluated.

In the statement of net position and the statement of activities, the County is presented as one activity:

- **Governmental Activities**—All of the County's programs and services are reported here, including General Government, Public Safety (which includes Department of Corrections, Sheriff, Sheriff Dispatch and Cheshire EMS), Human Services/Medicaid Expenses, Assisted Living Facility, Conservation and Economic Development as well as the County Nursing Home. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues. The Nursing Home does generate revenue in charges for services but does require funding by taxes as well. The goal of Cheshire EMS is to be self-sustaining therefore the Governmental Funds Balance sheet tracks Cheshire EMS separately.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain controls over resources that have been segregated for specific activities or objects. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of Cheshire County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements provide detailed information about the County's major funds. Based on the restriction on the use of moneys, the County has established many funds that account for the multitude of services provided to our residents. In 2023, the County has determined the General Fund and Cheshire EMS to be major governmental funds.

GOVERNMENTAL FUNDS—Governmental funds are used to account for essentially the same functions reported as governmental activities on the government wide financial statements. Most of the County's basic services are reported in these funds that focus on how money flows into and out of the funds and the year-end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided, along with the financial resources available.

Because the focus of the 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 on the government wide financial statements. By doing so, readers may better understand the long-term effect of the government's short term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, identified earlier as the General Fund and Cheshire EMS. Data from the other governmental funds, which includes Hemenway Fund, Deeds Surcharge, Sheriff's Forfeiture Fund and Civil Processing, Jail Canteen, Court House Restoration Fund, ARPA Fund, CDBG Fund, Opiate Trust Fund, Maplewood Capital Fund, Energy Upgrade, Sheriff's Dispatch Capital Project, and Grant Funds are combined into a single, aggregated presentation.

**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

PROPRIETARY FUNDS—The County has one proprietary fund. The County uses an internal service fund for its self-funded Health and Dental Insurance account.

FIDUCIARY FUNDS—Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the County's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds. The County's custodial funds account for the Registry of Deeds, Nursing Home Resident Funds and the Jail Inmate funds.

NOTES TO THE FINANCIAL STATEMENTS—The notes provide additional information that is essential to gaining a full understanding of the data provided on the government-wide and fund financial statements.

OTHER INFORMATION—In addition to the basic financial statements and accompanying notes, this report presents the General Fund's actual revenues and expenditures as compared to the legally adopted budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The table below provides a summary of the County's net position for the year ended December 31, 2023 compared with 2022.

County assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,523,229 as of December 31, 2023. This is an increase in net position, of \$4,912,701 from 2022.

Cheshire County, New Hampshire Net Position
As of December 31, 2023 and December 31, 2022

	Governmental Activities	
	2023	2022
Current and Other Assets	\$ 35,423,286	\$ 34,804,205
Lease Receivable	11,262,903	11,881,315
Capital Assets, Net	<u>77,729,051</u>	<u>77,885,106</u>
Total Assets	<u>\$ 124,415,240</u>	<u>\$ 124,570,626</u>
Deferred Outflows of Resources		
Loss on debt refunding	163,646	252,065
Def outflow OBEB Liab	357,003	467,637
Def Outflows Net Pension Liab	<u>3,969,766</u>	<u>4,135,958</u>
Total Deferred Outflows	<u>\$ 4,490,415</u>	<u>\$ 4,855,660</u>
Current Liabilities	10,684,803	12,006,433
Non-current Liabilities	<u>63,892,077</u>	<u>66,592,441</u>
Total Liabilities	<u>\$ 74,576,880</u>	<u>\$ 78,598,874</u>
Deferred Inflows of Resources		
Def Inflow finance lease	\$ 11,514,146	\$ 12,286,044
Def Inflow OBEB Liab	1,072,440	1,412,834
Def Inflow Net Pension Liab	<u>218,960</u>	<u>518,003</u>

**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

Cheshire County, New Hampshire Net Position
As of December 31, 2023 and December 31, 2022

	Governmental Activities	
	2023	2022
Total Deferred Inflows	<u>\$ 12,805,546</u>	<u>\$ 14,216,884</u>
Net Position		
Net Investment in Capital Assets	38,280,446	35,227,558
Restricted	753,370	789,060
Unrestricted (deficit)	<u>2,489,413</u>	<u>593,910</u>
Total Net Position	<u>\$ 41,523,229</u>	<u>\$ 36,610,528</u>

Total net position is presented in three categories: net investment in capital assets, restricted and unrestricted.

The largest portion of the County's net position is related to capital assets (e.g., land and improvements, buildings and building improvements, machinery and equipment, vehicles, and infrastructure). The figure presented, \$38,280,446, is net of any related debt incurred to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the County's net position, \$753,370, represents resources that are subject to restrictions on how they can be used. For Cheshire County, those restrictions include those related to limitations imposed by statutes governed by the State of New Hampshire, grants and restricted donations.

The remaining portion \$2,489,413 resulted in an increase of \$1,895,503 over 2022 of \$593,910.

The next statement provided shows the changes in the net position for 2022 and 2023.

Cheshire County, Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues		
Charges for Services	\$ 22,119,957	\$ 18,491,927
Operating Grants and Contributions	15,101,768	16,774,081
Capital Grants and Contributions	<u>320,161</u>	<u>2,560,373</u>
Total Program Revenues	<u>37,541,886</u>	<u>37,826,381</u>
General Revenues		
Property Taxes	29,093,371	29,093,371
Interest and Investment	582,253	67,060
Other	1,206,722	1,524,155
Loss/Gain on disposal of Asset	<u>(20,308)</u>	<u>3,695</u>
	<u>30,862,038</u>	<u>30,688,281</u>
Total Revenues	<u>68,403,924</u>	<u>68,514,662</u>

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Expenses:		
General Government	8,016,066	7,182,499
Public Safety	15,659,785	10,973,195
Human Services	16,272,104	16,182,920
Conservation	85,483	72,413
Economic Development	461,996	333,571
Interest and fiscal charges	1,129,448	1,255,444
Cheshire County Nursing Home	<u>21,866,341</u>	<u>20,666,231</u>
Total Expenses	<u>63,491,223</u>	<u>56,666,273</u>
Increase (Decrease) in Net Position	<u>\$4,912,701</u>	<u>\$11,848,389</u>
Net position – beginning	<u>\$ 36,610,528</u>	<u>\$ 24,762,139</u>
Net position – ending	<u>\$ 41,523,229</u>	<u>\$ 36,610,528</u>

Governmental Activities

Charges to users of governmental services made up \$22,119,957 or 32.34% of total government revenues and include such services as provided by the Nursing Home, Sheriff's Department, Department of Corrections, Registry of Deeds, Assisted Living Apartments and Connected Families and Cheshire County EMS. Additionally, the County receives revenue from operating grants and other contributions. In 2023, this totaled \$15,101,768 or 22.08% of total government revenue. Operating grants are used to fund expenses associated with programs such as the Domestic Violence Prosecutor, the Victim Witness Program and the Regional Prosecutor Program, Drug Court and Connected Families. Other contributions included in the amount are grants for Public Health initiatives as well as Pro Share Funds and MQIP receipts to support Maplewood Nursing Home.

In 2022, the County used COVID funding from the Cares Act as well as received the second tranche American Rescue Plan Funds. The decrease in the operating grants and contributions is attributed to the decreased use in ARPA funds in 2023.

In November of 2022, the County started operating Cheshire County EMS. The majority of the 2023 increase in charges for services and increase in expenses for Public Safety is attributable to the first full year of Cheshire EMS being in operation.

Property tax revenues are the County's largest revenue, accounting for \$29,093,371 or 42.53% of total government revenues. As noted previously, the County is able to recover some of its expenses through user charges, however, a great deal of County operations does not have revenue sources sufficient or available to meet their expenses and as a result are funded by Property Taxes.

One of the largest expenses funded through the assessment of taxes is associated with the obligation towards the Human Service Medicaid Expenses. This area is responsible for paying the County's share of funding for those Cheshire County residents needing Medicaid assistance. As of July 1, 2008, the County took on 100% of the non-federal share for residents in Long Term Care Facilities and for County residents receiving their care at home (Choices for Independence). As a result, the State of New Hampshire took over 100% of the non-federal share of the other programs which included Board and Care of Children, Old Age Assistance, Aide to the Permanently and Totally Disabled and Provider Services. As the cost of these programs outweigh the cost of the LTC and Home Care programs, there was a "Hold Harmless" provision included in the statute that protected the Counties from being exposed

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

to additional expenditures above normal inflationary rates for State Fiscal Years 2009 and 2010. After SFY 2010, the legislature establishes caps to determine the maximum liability exposure for these expenses on a biennial basis. The amount of 2023 County Taxes attributable to the State pass through for these Medicaid State Programs was \$7,658,134 or 26.32% of County Taxes.

Although the Nursing Home is able to recover most its expenses through user charges, the Nursing does require a subsidy from property taxes.

As a government owned nursing home, the census of Medicaid residents is much higher than private nursing home levels. As of December 31, 2023, approximately 76% of the nursing home census consisted of residents needing Medicaid assistance in order to pay for their care. Based on the 2023 Medicaid cost report for Maplewood, the per diem rate was calculated to be \$654.47, however, the actual paid per diem as of December 31, 2023 was \$257.28 or \$397.19 per day short of 2023 costs. The supplemental payment provided an additional reimbursement averaging \$51.28 with the Proportionate Share Funds providing additional reimbursement of \$152.70 per day. These additional payments still leave the allowable per diem rate short by approximately \$193.21 per day.

As of January 1, 2024, the Medicaid rate for Maplewood Nursing Home decreased by \$16.06 per day to a daily rate of \$241.22.

The analysis for governmental activities indicates the total cost as well as the net cost of services. The net cost of services identifies the cost of those supported by tax assessments and unrestricted revenues that are not directly related to specific charges for services or grants and contributions that would offset those services.

**Cheshire County, Governmental Activities
For Year Ending December 31, 2023 and December 31, 2022**

	2023	2022	2023	2022
General Government	\$ 8,016,066	\$ 7,182,499	\$ 5,950,219	\$ 2,856,393
Public Safety	15,659,785	10,973,195	8,579,688	4,694,192
Human Services	16,272,104	16,182,920	6,397,785	6,646,992
Conservation	85,483	72,413	85,483	72,413
Economic Development	461,996	333,571	(9,511)	(3,643)
Nursing Home	21,866,341	20,666,231	3,816,225	3,318,101
Interest Expense	<u>1,129,448</u>	<u>1,255,444</u>	<u>1,129,448</u>	<u>1,255,444</u>
Total Expenses	<u>\$ 63,491,223</u>	<u>\$ 56,666,273</u>	<u>\$ 25,949,337</u>	<u>\$ 18,839,892</u>

Financial Analysis of County Funds

Cheshire County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

During the year ended December 31, 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Under Statement 54, the County has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned and

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Unassigned. One major example of the effects caused by the implementation of GASB 54 is that the various Capital Reserve Fund balances are reported as part of the General Fund.

As of December 31, 2023, the County's governmental funds reported a combined ending fund balance of \$24,325,321, an increase of \$1,529,133 in comparison with the prior year. Approximately 82.16% of this total, \$19,985,655, represents unassigned fund balance, an increase of \$1,287,692 over 2022 or 25.81% of the County's annual budget. Much of the increase came from additional Pro Share received that was set aside to offset taxes. The County has applied \$5,750,753 towards 2024 taxes adjusting the unassigned to 18.38%.

The amount of the County's unassigned fund balance is in line with our objective of retaining a recommended level of between 13% and 17% and to evaluate the use of fund balance for anything over 18% in subsequent budgets.

A complete description of the above-mentioned classifications and a more detailed breakdown may be found on page 19 of the Notes to the Basic Financial Statements.

Budgetary Highlights

By State statute, the County Convention must adopt its annual budget within 90 days after the beginning of the County's fiscal year. On March 20, 2023, the County Convention adopted the 2023 budget. As adopted, the bottom line was up 3.17%, (\$2,349,533) for a total budget of \$76,532,721. The major increase was due to the addition of Cheshire County EMS which is a new Ambulance Service the County started in late 2022. Taxes to be raised had no increase for 2023 in comparison to 2022 for total taxes to be raised of \$29,093,371.

On August, 14, 2023, the County Delegation amended the budget for the receipt of Pro Share Funds and other budgetary adjustments. The County received \$3,125,520 in additional Pro Share funds that were not originally budgeted. \$895,832 was appropriated for spending with the remaining \$2,229,688 allocated to offset future year taxes to be raised.

These budget amendments resulted in an amended bottom-line budget of \$77,428,553 with no increase in taxes to be raised.

Further budgetary highlights and variances include revenues for the Department of Corrections coming in approximately \$350,000 over projections due to revenue generated from holding Federal Inmates. The County also received approximately \$750,000 in additional Federal Medicaid Assistance reimbursement funds that were made available during the pandemic. These funds extended longer than expected.

Maplewood Nursing Home came in well under budgeted expenses mainly due to staffing shortages causing a reduction in payroll expenses. This did have an impact on the level of census that the nursing home could admit, however the census mix as well as higher than expected bed tax revenues aided in the revenues coming in close to projections.

Additionally, although the EMS operations were in service for the full year of 2023, this was a year of growth in both staffing as well as building revenue reimbursements through billings and Town contracts. Many of the town contracts that are now being served by Cheshire EMS did not start until July 1, 2023.

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Capital Assets and Debt Administration

Capital Assets—The County's investment in capital assets for governmental activities as of December 31, 2023, was \$77,729,051 (net of accumulated depreciation). This investment in capital assets includes land and improvements, water and waste water systems, buildings and improvements, improvements other than buildings, machinery and equipment, vehicles, and construction in progress.

Major Capital projects and or equipment that were in progress or finalized in 2023 include the construction of the new Cheshire County EMS building, additional ambulances and other equipment purchased. In total the additional building costs were \$2,338,000 with vehicles and other equipment at \$1,385,000. County Hall renovations were made in the amount of \$1,294,000 as well as upgrades to dispatch equipment in the amount of \$705,000. At the Department of Corrections, the upgrade to the Geo Thermal system was completed for \$1,206,000. Many of the above projects were accomplished with Grant funds and or the funds received from American Rescue Plan Act funds (ARPA).

Note 3 – Notes of Capital Assets provides additional information about capital asset activity during 2023.

Long-Term Debt—At December 31, 2023, the County had total general obligation bonded debt and notes payable outstanding of \$36,419,330. Of this amount, \$6,970,000 is for the County Correctional Facility with the Geothermal Heating and Cooling System Bond for the County Correctional Facility having an outstanding balance at year-end of \$50,000. In 2017 the County bonded for the Expansion and Renovation of Maplewood Nursing Home and as of December, 2023 had an ending balance of \$21,710,000. The County purchased 33 Winter Street in 2020 with a long-term lease with the State of New Hampshire for the State Court Systems. This had an outstanding balance of \$5,440,000. Additionally, the County entered into a Joint Obligation with the City of Keene to pay off a bond the City had outstanding for the 33 Winter Street Building. Based on the joint obligation, the outstanding amount applicable to the county as of year- end was \$105,000. The County entered into an Energy Upgrade project. The financing was done via a Capital lease and broken down in two parts to lease the portion of the LED lighting for 10 years with the other upgraded equipment to be financed over 20 years. As of December 31, 2023 the 10-year outstanding amount is \$445,262 with the 20-year component at \$1,699,068.

Additionally, as part of a grant received in 2023 for the Nursing Home from the State of New Hampshire, we are carrying a temporary outstanding debt due to the fact that it is initially considered a loan. However, the loan will be deemed satisfied as being paid in full if the County agrees to continue to provide services at our Nursing Home until at least September 2024. The amount of this forgivable loan is \$920,768.

Finally, as required by GASB 96 we have determined that a long-term contract for services provided to our Registry of Deeds office for equipment and software meet the reporting requirements. This multiyear subscription contract liability is valued at \$235,175 and is set to expire in 2028.

The overall Long-Term Obligations including the State Loan and SBITA liability is \$37,575,273.

The County's long term bonded debt increased by \$1,155,943 and decreased by debt payments of \$3,830,090 during 2023.

**CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS**

The current outstanding debt for Cheshire County is as follows:

Cheshire County, Outstanding Debt		
December 31, 2023		
	Governmental Activities	Years Remaining
Jail Construction	\$ 6,970,000	4
Jail Geothermal System	50,000	1
Maplewood Nursing Home	21,710,000	14
33 Winter Street *	5,440,000	17
Joint City Debt	105,000	7
Energy Upgrade Cap Ls (1)	1,699,068	18
Energy Upgrade Cap Ls (2)	445,262	8
State NH Loan	920,768	1
SPITA Liability (Deeds)	<u>235,175</u>	4
Total Outstanding	\$ 37,575,273	

*Self-Sustaining Debt

Debt Ratios FY2023		
	\$37,575,273	\$32,135,273
	Overall Debt	Net Debt
Per Capita (76,040 – 2020)	\$478.95	\$407.41
Ratio to Net Assessed Val(\$9,039,534,824)	0.42%	0.36%
Ratio to Modified Assessed Valuation (\$9,079,056,755)	0.41%	0.35%

Having issued a new bond for the purchase of 33 Winter Street, on January 2, 2020, Moody's assigned a Aa2 rating for this bond issue.

Economic Factors

- The Cheshire County unemployment rate for December 2023 was 2.7%, which compares to the State's rate of 2.6 %, the New England rate of 3.3% and the national rate of 3.5 %.
- Most recent equalized assessed valuations of property used for appropriating Cheshire County's 2023 taxes were \$11,995,652,007. This is an increase over the prior year assessed valuations of 17.82% or \$1,813,895,905.
- There were no outstanding tax payments due as of December 31, 2023.

Below is a list of the 2023 Tax Apportionments to the Towns and the City of Keene.

	2023 Apportionment
Alstead	\$ 707,041
Chesterfield	1,969,067
Dublin	1,048,567
Fitzwilliam	1,219,660
Gilsum	244,649
Harrisville	864,499
Hinsdale	1,284,731
Jaffrey	2,125,425

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Keene	6,880,262
Marlborough	663,469
Marlow	293,263
Nelson	403,474
Richmond	437,183
Rindge	2,794,028
Roxbury	89,043
Stoddard	1,085,877
Sullivan	214,491
Surry	310,933
Swanzey	2,340,874
Troy	575,600
Walpole	1,824,787
Westmoreland	579,474
Winchester	<u>1,136,974</u>
Total	\$29,093,371

Requests for Information

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the governments' finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sheryl A. Trombly, Finance Director, 12 Court Street, Keene, NH 03431 or strombly@co.cheshire.nh.us.

EXHIBIT A
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2023

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 29,225,618
Investments	1,026,333
Accounts receivable, net	1,898,742
Due from other governments	2,456,780
Prepaid items	197,401
Current portion of lease receivable	618,412
Total Current Assets	<u>35,423,286</u>
Noncurrent Assets:	
Lease receivable	11,262,903
Capital assets:	
Non-depreciable capital assets	2,530,607
Depreciable capital assets, net	75,198,444
Total Noncurrent Assets	<u>88,991,954</u>
Total Assets	<u>124,415,240</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on debt refunding	163,646
Deferred outflows of resources related to OPEB liability	357,003
Deferred outflows of resources related to net pension liability	3,969,766
Total Deferred Outflows of Resources	<u>4,490,415</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	2,829,299
Accrued liabilities	1,782,220
Due to other governments	843,834
Advances from grantors	1,118,970
Unearned revenue	134,985
Current portion of bonds payable	3,675,000
Current portion of notes payable	115,096
Current portion of joint obligation payable	15,000
Current portion of financed purchase obligations payable	127,937
Current portion of SBITA liability	42,462
Total Current Liabilities	<u>10,684,803</u>
Noncurrent Liabilities:	
Bonds payable	32,837,294
Notes payable	805,672
Joint obligation payable	90,000
Financed purchase obligations payable	2,016,393
SBITA liability	192,713
Compensated absences payable	991,758
OPEB liability	1,999,269
Net pension liability	24,958,978
Total Noncurrent Liabilities	<u>63,892,077</u>
Total Liabilities	<u>74,576,880</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to lease receivable	11,514,146
Deferred inflows of resources related to OPEB liability	1,072,440
Deferred inflows of resources related to net pension liability	218,960
Total Deferred Inflows of Resources	<u>12,805,546</u>
NET POSITION	
Net investment in capital assets	38,280,446
Restricted	753,370
Unrestricted	2,489,413
Total Net Position	<u>\$ 41,523,229</u>

See accompanying notes to the basic financial statements

EXHIBIT B
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 8,016,066	\$ 1,376,120	\$ 531,477	\$ 158,250	\$ (5,950,219)
Public safety	15,659,785	4,445,845	2,634,252		(8,579,688)
Human services	16,272,104	5,517,132	4,195,276	161,911	(6,397,785)
Conservation	85,483				(85,483)
Economic development	461,996		471,507		9,511
Nursing home	21,866,341	10,780,860	7,269,256		(3,816,225)
Interest and fiscal charges	1,129,448				(1,129,448)
Total governmental activities	<u>\$ 63,491,223</u>	<u>\$ 22,119,957</u>	<u>\$ 15,101,768</u>	<u>\$ 320,161</u>	<u>(25,949,337)</u>
General revenues:					
					29,093,371
					582,253
					1,206,722
					(20,308)
					<u>30,862,038</u>
					4,912,701
					<u>36,610,528</u>
					<u>\$ 41,523,229</u>

See accompanying notes to the basic financial statements

EXHIBIT C
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2023

	General <u>Fund</u>	EMS <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 22,834,925		\$ 1,604,384	\$ 24,439,309
Investments	853,647		172,686	1,026,333
Accounts receivable, net	1,161,293	\$ 729,483	7,966	1,898,742
Due from other governments	2,321,730		135,050	2,456,780
Due from other funds	1,005,486		12,180	1,017,666
Prepaid items	197,401			197,401
Total Assets	<u>28,374,482</u>	<u>729,483</u>	<u>1,932,266</u>	<u>31,036,231</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 28,374,482</u>	<u>\$ 729,483</u>	<u>\$ 1,932,266</u>	<u>\$ 31,036,231</u>
LIABILITIES				
Accounts payable	\$ 1,915,828	\$ 94,092	\$ 145,608	\$ 2,155,528
Accrued liabilities	1,274,125	165,802		1,439,927
Due to other governments	843,834			843,834
Advances from grantors	523,484		595,486	1,118,970
Unearned revenue	134,985			134,985
Due to other funds	5,480	997,213	14,973	1,017,666
Total Liabilities	<u>4,697,736</u>	<u>1,257,107</u>	<u>756,067</u>	<u>6,710,910</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable	197,401			197,401
Restricted	80,683		978,003	1,058,686
Committed	1,531,465			1,531,465
Assigned	1,353,918		198,196	1,552,114
Unassigned (deficit)	20,513,279	(527,624)		19,985,655
Total Fund Balances (deficit)	<u>23,676,746</u>	<u>(527,624)</u>	<u>1,176,199</u>	<u>24,325,321</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 28,374,482</u>	<u>\$ 729,483</u>	<u>\$ 1,932,266</u>	<u>\$ 31,036,231</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 24,325,321
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,729,051
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the funds. Long-term assets at year end consist of:	
Lease receivable	11,881,315
Losses on debt refundings are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	163,646
Internal Service Fund is used by the County to charge the costs of health and dental insurance. This balance represents the amount due from the Proprietary Fund at year end.	4,112,538
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	357,003
Deferred outflows of resources related to net pension liability	3,969,766
Deferred inflows of resources related to OPEB liability	(1,072,440)
Deferred inflows of resources related to net pension liability	(218,960)
Deferred inflows of resources related to lease	(11,514,146)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(36,512,294)
Notes payable	(920,768)
Joint obligation payable	(105,000)
Financed purchase obligations payable	(2,144,330)
SBITA liability	(235,175)
Accrued interest on long-term obligations	(342,293)
Compensated absences payable	(991,758)
OPEB liability	(1,999,269)
Net pension liability	<u>(24,958,978)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 41,523,229</u>

See accompanying notes to the basic financial statements

EXHIBIT D
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General <u>Fund</u>	EMS <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 29,093,371			\$ 29,093,371
Intergovernmental	11,153,178		\$ 4,268,751	15,421,929
Charges for services	19,965,846	\$ 2,060,719	93,392	22,119,957
Interest and investment income	459,798		122,455	582,253
Miscellaneous	971,767	4,865	27,056	1,003,688
Total Revenues	<u>61,643,960</u>	<u>2,065,584</u>	<u>4,511,654</u>	<u>68,221,198</u>
Expenditures:				
Current operations:				
General government	7,725,150		15,734	7,740,884
Public safety	10,100,289	3,783,824	92,099	13,976,212
Human services	16,468,450		1,051,325	17,519,775
Conservation	87,957			87,957
Economic development			461,996	461,996
Nursing home	19,973,419		141,806	20,115,225
Capital outlay	1,332,090	5,146	976,195	2,313,431
Debt service:				
Principal retirement	3,815,082			3,815,082
Interest and fiscal charges	1,582,271			1,582,271
Total Expenditures	<u>61,084,708</u>	<u>3,788,970</u>	<u>2,739,155</u>	<u>67,612,833</u>
Excess revenues over (under) expenditures	<u>559,252</u>	<u>(1,723,386)</u>	<u>1,772,499</u>	<u>608,365</u>
Other financing sources (uses):				
Issuance of notes payable	920,768			920,768
Transfers in	726,529	1,195,762	170,593	2,092,884
Transfers out	(12,344)		(2,080,540)	(2,092,884)
Total Other financing sources (uses)	<u>1,634,953</u>	<u>1,195,762</u>	<u>(1,909,947)</u>	<u>920,768</u>
Net change in fund balances	2,194,205	(527,624)	(137,448)	1,529,133
Fund Balances at beginning of year	<u>21,482,541</u>	<u>-</u>	<u>1,313,647</u>	<u>22,796,188</u>
Fund Balances (deficit) at end of year	<u>\$ 23,676,746</u>	<u>\$ (527,624)</u>	<u>\$ 1,176,199</u>	<u>\$ 24,325,321</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
COUNTY OF CHESHIRE, 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, 2023

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 1,529,133
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. These amounts in the current period are as follows:	
Capital outlay purchases	4,007,580
Depreciation expense	(4,400,822)
Amortization expense	(45,928)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets reduced by the actual proceeds received from the disposal.	(20,308)
Issuance of long-term obligations are other financing sources in the funds, but issuance of long-term obligations increase liabilities in the statement of net position. Issuances in the current year are as follows:	
Notes payable issuance	(920,768)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Capital contribution	27,853
Lease income	175,181
Governmental funds report the effect of bond issuance premiums and losses on debt refundings when the debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt. Amortization recognized in the current year is as follows:	
Amortization of bond issuance premium	496,585
Amortization of loss on debt refunding	(88,419)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but debt repayment reduces long-term liabilities in the statement of net position. Current year repayments are as follows:	
Principal paid on bonds payable	3,675,000
Principal paid on joint obligation payable	15,000
Principal paid on financed purchase obligations payable	140,089
Principal paid on SBITA liability	40,395
The Internal Service Fund is used by the County to charge the costs of health and dental insurance to individual funds. The net cost of the Internal Service Fund is reported in Governmental Activities.	489,507
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. These expenses are from the following sources:	
Accrued interest	45,781
Compensated absences payable	(69,060)
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period:	
Net changes in OPEB	230,244
Net changes in pension	(414,342)
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 4,912,701</u>

See accompanying notes to the basic financial statements

EXHIBIT E
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2023

	Internal Service Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,786,309
Total Current Assets	<u>4,786,309</u>
Noncurrent Assets:	
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>4,786,309</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	<u>673,771</u>
Total Current Liabilities	<u>673,771</u>
Noncurrent Liabilities:	
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>673,771</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Unrestricted	<u>4,112,538</u>
Total Net Position	<u>\$ 4,112,538</u>

See accompanying notes to the basic financial statements

EXHIBIT F
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Internal Service Fund
Operating revenues:	
Charges for services	\$ 6,823,415
Total Operating revenues	<u>6,823,415</u>
Operating expenses:	
Administrative	<u>6,403,184</u>
Total Operating expenses	<u>6,403,184</u>
Operating income	<u>420,231</u>
Non-operating revenues (expenses):	
Interest revenue	<u>69,276</u>
Net Non-operating revenues (expenses)	<u>69,276</u>
Change in net position	489,507
Net Position at beginning of year	<u>3,623,031</u>
Net Position at end of year	<u>\$ 4,112,538</u>

See accompanying notes to the basic financial statements

EXHIBIT G
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Internal Service Fund
Cash flows from operating activities:	
Cash received for services provided	\$ 6,823,415
Cash paid to suppliers	<u>(6,248,063)</u>
Net cash provided by operating activities	<u>575,352</u>
Cash flows from investing activities:	
Investment income	<u>69,276</u>
Net cash provided by investing activities	<u>69,276</u>
Net increase in cash and cash equivalents	644,628
Cash and cash equivalents at beginning of year	<u>4,141,681</u>
Cash and cash equivalents at end of year	<u>\$ 4,786,309</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 420,231
Changes in assets and liabilities:	
Accounts payable	<u>155,121</u>
Net cash provided by operating activities	<u>\$ 575,352</u>
Cash and cash equivalents at end of year consist of the following:	
Cash and cash equivalents	<u>\$ 4,786,309</u>

See accompanying notes to the basic financial statements

EXHIBIT H
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 521,744
Total Assets	<u>521,744</u>
LIABILITIES	
Accounts payable	12,917
Due to other governments	<u>455,678</u>
Total Liabilities	<u>468,595</u>
NET POSITION	
Restricted for:	
Individuals	<u>53,149</u>
Total Net Position	<u>\$ 53,149</u>

See accompanying notes to the basic financial statements

EXHIBIT I
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023

	Custodial Funds
ADDITIONS:	
Investment earnings:	
Interest income	\$ 22,159
Total Investment earnings	<u>22,159</u>
Amounts collected for individuals	635,664
Fees collected for other governments	<u>6,918,939</u>
Total Additions	<u>7,576,762</u>
DEDUCTIONS:	
Benefits paid to beneficiaries	676,956
Payments of fees to other governments	<u>6,936,638</u>
Total Deductions	<u>7,613,594</u>
Change in net position	(36,832)
Net Position at beginning of year	<u>89,981</u>
Net Position at end of year	<u>\$ 53,149</u>

See accompanying notes to the basic financial statements

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Cheshire, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The County of Cheshire, New Hampshire (the County) was established in 1769 under the laws of the State of New Hampshire. The County boundaries include twenty-three New Hampshire municipalities located in southwestern New Hampshire. The County operates under the Commissioner/Delegation form of government and provides services as authorized by state statutes.

The financial statements include those of the various departments governed by the Commissioners and other officials with financial responsibility. The County has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid duplicating revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County employs the use of three categories of funds: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the County's major governmental funds:

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

The *EMS Fund* is used to account for all financial resources related to the operations of the County's Emergency Medical Services department.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The County has no enterprise funds. The following is the County's internal service fund:

The County is self-insured for its health and dental insurance. The activity associated with this self-insurance program is accounted for in the *Insurance Fund*.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The County maintains one type of fiduciary fund: custodial funds. The County's custodial funds are held and administered by the County for the benefit of others; assets are not available to support the County or its programs. The County's custodial funds account for Sheriff's escrow and court-forfeited funds, Registry of Deeds funds, Nursing Home resident funds, and inmate funds.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the County are included on the Statement of Net Position.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services and interest on investments.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors.

2. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Data

The County's budget represents functional appropriations as authorized by the County Delegation. The County Delegation may transfer funds between operating categories as they deem necessary. The County adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2023, the County applied \$3,278,836 of unassigned fund balance to reduce taxes.

Investments

Investments are stated at their fair value in all funds. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Accounts Receivable

The County uses the reserve method for accounting for bad debts. It is the County’s policy to directly charge off uncollectible receivables when management determines the receivable will not be collected.

Accounts receivable at December 31, 2023 are recorded net of an allowance for doubtful accounts of \$1,551,261.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The County maintains a capitalization threshold of \$5,000 for its governmental activities, except for its nursing home department. The capitalization threshold for assets of the nursing home is \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except for land and construction in process are depreciated. Intangible capital assets are amortized. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation and amortization is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Land improvements	5-30
	Buildings and improvements	2-50
	Water system	30
	Wastewater system	5-30
	Vehicles and equipment	2-25
	Intangible right-to-use subscription	6

Lease Receivable and Related Deferred Inflow of Resources

Lease receivables are measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The County does not have such an allowance. The deferred inflow of resources is measured at the initial measurement of the lease receivable, plus any lease payments received at or before commencement of the lease term, less any lease incentives. The deferred inflow of resources is amortized using the straight-line method over the term of the related lease.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Loss on Debt Refunding

Debt refundings that result in a difference between the reacquisition price of old debt and the net carrying value of that debt have been reported in the accompanying financial statements as a loss on debt refunding. Losses on debt refundings are amortized as a component of interest expense over the remaining life of the related debt using the effective interest rate method.

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium.

SBITA Liabilities and Related Assets

Subscription-based information technology arrangement (SBITA) liabilities are measured at the present value of the subscription payments expected to be made during the subscription term. Intangible right-to-use SBITA assets are measured at the initial measurement of the SBITA liability, plus any payments made to the SBITA vendor before commencement of the subscription term and certain direct costs and are amortized on a straight-line basis over the life of the related SBITA.

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Vacation may be accrued to one and one-half times an employee's annual earned vacation. Payout for unused vacation time is limited to a maximum of 7.5 weeks. Any unused vacation beyond this amount will be forfeited. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period. The entire compensated absence payable is reported on the government-wide financial statements.

Employees may accumulate sick leave days up to ten days per year, cumulative to a maximum of sixty days. Any unused sick leave days in excess of sixty days are to be paid to the employee at the end of the year at a rate of one-half day for each excess day that has been accrued. No payment for unused sick leave is made upon termination.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. Long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

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's 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 the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The County has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- **Nonspendable Fund Balance**: Amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of an endowment fund).
- **Restricted Fund Balance**: Amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors) or the enabling legislation (federal or state law). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- **Committed Fund Balance**: Amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision making authority (annual meeting of the County Delegation). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The resolution must either be approved or

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

- Assigned Fund Balance: Amounts that the County intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as “assigned”. The Board of Commissioners expressly delegates this authority to the County Administrator. Items that would fall under this type of fund balance classification would be encumbrances.
- Unassigned Fund Balance: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another fund is also classified as unassigned.

Spending Prioritizations

In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed resources should be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Level of Unassigned Fund Balance

In accordance with the County’s fund balance policy, additional operating flexibility is important given the variable nature of the nursing home operations. The recommended minimum unassigned fund balance in the County’s General Fund should equal 13% of the annual total budgeted appropriations. The recommended target balance is to maintain an unassigned fund balance between 13% and 17% of the annual total budgeted appropriations. The target level of the unassigned fund balance may be achieved by conservatively estimating revenues and by refraining from using any portion of the unassigned target balance to reduce the tax rate. As a general rule, any unassigned fund balance in excess of 18% of the total budgeted appropriations will be evaluated to determine if it should be used to reduce subsequent budgets. Any amount in excess of the minimum balance may be appropriated by the Commissioners to offset property taxes.

The Board of Commissioners may recommend to the Delegation through a budget amendment to appropriate funds from the unassigned fund balance even if such use decreases the unassigned fund balance below the recommended minimum balance in the event of emergency purposes or to alleviate unanticipated short-term budgetary problems, such as revenue shortfalls.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating revenues represent charges to employees and retirees for services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 29,225,618
Investments	1,026,333
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>521,744</u>
	<u>\$ 30,773,695</u>

Deposits and investments at December 31, 2023 consist of the following:

Cash on hand	\$ 2,959
Deposits with financial institutions	29,744,403
Investments	<u>1,026,333</u>
	<u>\$ 30,773,695</u>

The County’s investment policy states that any excess funds which are not immediately needed for the purpose of expenditure may only be invested in certificates of deposit, overnight repurchase agreements, U.S. Government securities – Treasury bills, the New Hampshire Public Deposit Investment Pool and others as approved by the County Commissioners and the County Executive Committee.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County’s investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. See investment instrument types noted above.

As of December 31, 2023, the County’s investment in the NHPDIP, a state investment pool, had a fair value balance of \$1,026,333 and was rated *AAAm*.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County’s deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Currently, the County does not have a formal investment policy for assurance against custodial credit risk; however, the County has an agreement with the bank to collateralize all deposits in excess of the FDIC insurance limits.

Of the County’s deposits with financial institutions at year end, \$29,950,434 was collateralized by securities held by the bank in the bank’s name.

Investment in NHPDIP

The County is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP’s website at www.NHPDIP.com.

The County’s exposure to derivatives is indirect through its participation in the NHPDIP. The County’s proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental activities:

	Balance <u>1/1/2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2023</u>
Capital assets not depreciated:				
Land	\$ 1,354,410			\$ 1,354,410
Construction in process	<u>4,204,325</u>	<u>\$ 1,176,197</u>	<u>\$ (4,204,325)</u>	<u>1,176,197</u>
Total capital assets not being depreciated	<u>5,558,735</u>	<u>1,176,197</u>	<u>(4,204,325)</u>	<u>2,530,607</u>
Other capital assets:				
Land improvements	755,041	965		756,006
Buildings and improvements	102,061,875	4,304,735		106,366,610
Water system	1,545,667	33,122		1,578,789
Wastewater system	921,220	1,173		922,393
Vehicles and equipment	8,322,946	2,723,566	(114,655)	10,931,857
Intangible right-to-use subscription	<u>275,570</u>			<u>275,570</u>
Total other capital assets at historical cost	<u>113,882,319</u>	<u>7,063,561</u>	<u>(114,655)</u>	<u>120,831,225</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Less accumulated depreciation and amortization:

Land improvements	(558,822)	(21,030)		(579,852)
Buildings and improvements	(34,496,229)	(20,620)		(34,516,849)
Water system	(1,322,054)	(23,228)		(1,345,282)
Wastewater system	(708,877)	(3,534,439)	41,645	(4,201,671)
Vehicles and equipment	(4,194,396)	(801,505)	52,702	(4,943,199)
Intangible right-to-use subscription	-	(45,928)		(45,928)
Accumulated depreciation and amortization	<u>(41,280,378)</u>	<u>(4,446,750)</u>	<u>94,347</u>	<u>(45,632,781)</u>
Total other capital assets, net	<u>72,601,941</u>	<u>2,616,811</u>	<u>(20,308)</u>	<u>75,198,444</u>
Total capital assets, net	<u>\$ 78,160,676</u>	<u>\$ 3,793,008</u>	<u>\$ (4,224,633)</u>	<u>\$ 77,729,051</u>

Depreciation and amortization expense were charged to governmental functions as follows:

General government	\$ 332,087
Public safety	2,052,366
Human services	139,164
Nursing home	<u>1,923,133</u>
Total	<u>\$ 4,446,750</u>

NOTE 4—INTERFUND BALANCES AND TRANSFERS

The County has combined the cash resources of its governmental, proprietary, and fiduciary funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2023 are as follows:

		Due from			
		General	EMS	Nonmajor Governmental	
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Due to	General Fund		\$ 990,513	\$ 14,973	\$ 1,005,486
	Nonmajor Governmental Funds	\$ 5,480	<u>6,700</u>		<u>12,180</u>
		<u>\$ 5,480</u>	<u>\$ 997,213</u>	<u>\$ 14,973</u>	<u>\$ 1,017,666</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Transfers out of the ARPA Fund, a Nonmajor Governmental Fund, were to reimburse applicable funds for qualifying expenditures incurred related to the grant. Transfers during the year ended December 31, 2023 are as follows:

		Transfer from		
		General	Nonmajor Governmental	
		<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Transfer to	General Fund		\$ 726,529	\$ 726,529
	EMS Fund		1,195,762	1,195,762
	Nonmajor Governmental Funds	\$ 12,344	<u>158,249</u>	<u>170,593</u>
		<u>\$ 12,344</u>	<u>\$ 2,080,540</u>	<u>\$ 2,092,884</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

NOTE 5—SHORT-TERM OBLIGATIONS

The County issues tax anticipation notes during the year. These borrowings are to assist in the payment of operating expenses during the year and are guaranteed to be repaid from the tax revenue received in December from the Towns/City within the County.

The changes in short-term debt obligations for the year ended December 31, 2023 are as follows:

Balance - January 1, 2023	\$ -
Additions	6,000,000
Reductions	<u>(6,000,000)</u>
Balance - December 31, 2023	<u><u>\$ -</u></u>

NOTE 6—LEASE RECEIVABLE

The County currently leases the Keene Courthouse to the State of New Hampshire to provide space for courtroom services. The original lease agreement between the State of New Hampshire and a third party was assigned to the County effective February 21, 2020. Terms of the agreement include monthly rental payments through November 30, 2028, including two options to extend for an additional 5 years per extension and an annual cost escalation of 3%.

As of December 31, 2023, deferred inflows of resources related to lease receivable amounted to \$11,514,146 and lease receivable at year-end had a balance of \$11,881,315. Lease interest income for the year was \$175,181.

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in long-term obligations of the governmental activities are as follows:

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023	Due Within One Year
Bonds payable	\$ 37,845,000		\$ (3,675,000)	\$ 34,170,000	\$ 3,675,000
Unamortized bond premium	<u>2,838,879</u>		<u>(496,585)</u>	<u>2,342,294</u>	
Total Bonds payable	40,683,879	\$ -	(4,171,585)	36,512,294	3,675,000
Notes payable	-	920,768		920,768	115,096
Joint obligation payable	120,000		(15,000)	105,000	15,000
Financed purchase obligations	2,284,420		(140,090)	2,144,330	127,937
SBITA liability	275,570		(40,395)	235,175	42,462
Compensated absences payable	<u>922,698</u>	<u>129,969</u>	<u>(60,909)</u>	<u>991,758</u>	
Total	<u><u>\$ 44,286,567</u></u>	<u><u>\$ 1,050,737</u></u>	<u><u>\$ (4,427,979)</u></u>	<u><u>\$ 40,909,325</u></u>	<u><u>\$ 3,975,495</u></u>

Payments on the general obligation bonds, notes payable, joint obligation payable, financed purchase obligations, and SBITA liability of the governmental activities are paid out of the General Fund. Amortization of the governmental activities bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). Compensated absences payable will be paid from the governmental fund where the employee’s salary is paid.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

General Obligation Bonds

General obligation bonds are direct obligations of the County, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within County boundaries. All general obligation bonds are considered direct placements for the County. Bonds are not subject to redemption prior to maturity.

Bonds payable at December 31, 2023 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/2023</u>
<i>Direct Placements:</i>				
2017 Series bond issue	\$ 31,040,000	3.0-5.0%	October 2037	\$ 21,710,000
2015 Refunding bond issue	17,425,000	3.0-5.0%	October 2027	6,970,000
2020 Series bond issue	6,415,000	2.5-4.0%	January 2040	5,440,000
2009 Series bond issue	1,300,000	3.875-4.85%	August 2024	50,000
	<u>\$ 56,180,000</u>			<u>34,170,000</u>
		<i>Add: Unamortized bond premium</i>		<u>2,342,294</u>
				<u>\$ 36,512,294</u>

Debt service requirements to retire outstanding general obligation bonds for governmental activities at December 31, 2023 are as follows:

Year Ending <u>December 31,</u>	Direct Placements		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 3,675,000	\$ 1,304,800	\$ 4,979,800
2025	3,635,000	1,124,750	4,759,750
2026	3,605,000	981,400	4,586,400
2027	3,595,000	821,700	4,416,700
2028	1,870,000	662,400	2,532,400
2029-2033	9,350,000	2,079,300	11,429,300
2034-2038	7,800,000	640,800	8,440,800
2039-2041	640,000	16,000	656,000
	<u>34,170,000</u>	<u>7,631,150</u>	<u>41,801,150</u>
	<i>Add: Unamortized bond premium</i>	<u>2,342,294</u>	<u>2,342,294</u>
	<u>\$ 36,512,294</u>	<u>\$ 7,631,150</u>	<u>\$ 44,143,444</u>

Notes Payable

During the year the County entered into a Loan Agreement with the State of New Hampshire Governor's Office for Emergency Relief and Recovery. The County received funding for the County Nursing Home Infrastructure Program. Under the terms of this agreement, the County agrees to continue providing services at the Maplewood Nursing Home location until at least September 2024 and upon satisfaction of the terms, the Loan Amount will be deemed satisfied and paid in full. If not, the County will begin loan repayment beginning October 2024.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

\$920,768 Note Payable to State of New Hampshire,
with principal payments of \$38,365 per month beginning in
October 2024 through September 2026, interest free \$ 920,768

Debt service requirements to retire the outstanding notes payable for governmental activities at December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>
2024	\$ 115,096
2025	460,384
2026	345,288
	<u>\$ 920,768</u>

Joint Obligation Payable

The joint obligation payable at December 31, 2023 consists of:

\$161,500 Joint Obligation agreement with the City of Keene,
New Hampshire with principal payment of \$26,500 in 2021
and then annual installments of \$15,000 through October 2030;
interest paid semi-annually at 1.36%. \$ 105,000

Debt service requirements to retire the outstanding joint obligation payable for governmental activities at December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 15,000	\$ 1,428	\$ 16,428
2025	15,000	1,224	16,224
2026	15,000	1,020	16,020
2027	15,000	816	15,816
2028	15,000	612	15,612
2029-2033	30,000	612	30,612
	<u>\$ 105,000</u>	<u>\$ 5,712</u>	<u>\$ 110,712</u>

Financed Purchase Obligations

Financed purchase obligations represent lease agreements entered into for the financing of equipment acquisitions or building improvements. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

The following is the individual financed purchase obligation outstanding at December 31, 2023:

Energy lease, paid in annual installments of \$178,914 through 2031
and then annual installments of \$118,140 through September 2041;
interest from 1.99 to 2.477% \$ 2,144,330

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Debt service requirements to retire outstanding financed purchase obligations for governmental activities at December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 127,937	\$ 50,978	\$ 178,915
2025	130,856	48,058	178,914
2026	133,844	45,071	178,915
2027	136,900	42,014	178,914
2028	140,027	38,888	178,915
2029-2033	626,858	146,164	773,022
2034-2038	510,349	80,349	590,698
2039-2041	337,559	16,859	354,418
	<u>\$ 2,144,330</u>	<u>\$ 468,381</u>	<u>\$ 2,612,711</u>

SBITA Liability

SBITA liabilities represent agreements that allow the right to use another entity’s software for a specified period of time. In 2018 the County entered into a SBITA agreement to subscribe to software for the registry of deeds, which was later extended for an additional five-year term, through December 2028. The SBITA liability outstanding at December 31, 2023 consists of:

Registrar record subscriptions, paid in monthly installments of \$3,110 and quarterly installments of \$4,000 through December 2028; discount rate of 5%	<u>\$ 235,175</u>
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Annual requirements to amortize SBITA liabilities and related interest at December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 42,462	\$ 10,861	\$ 53,323
2025	44,635	8,688	53,323
2026	46,918	6,405	53,323
2027	49,318	4,005	53,323
2028	51,842	1,481	53,323
	<u>\$ 235,175</u>	<u>\$ 31,440</u>	<u>\$ 266,615</u>

NOTE 8—OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred</u> <u>Outflows</u>	<u>OPEB</u> <u>Liability</u>	<u>Deferred</u> <u>Inflows</u>	<u>OPEB</u> <u>Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 41,738	\$ 757,382		\$ 4,784
Single Employer Plan	315,265	1,241,887	\$ 1,072,440	(127,244)
Total	<u>\$ 357,003</u>	<u>\$ 1,999,269</u>	<u>\$ 1,072,440</u>	<u>\$ (122,460)</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of \$715,437.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contribution rates for the covered payroll of public safety employees and general employees were 3.21% and 0.31%, respectively, through June 30, 2023, and 2.60% and 0.26%, respectively, thereafter. Contributions to the OPEB plan for the County were \$90,755 for the year ended December 31, 2023. Employees are not required to contribute to the OPEB plan.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

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

At December 31, 2023, the County reported a liability of \$757,382 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2022. The County’s proportion of the net OPEB liability was based on actual contributions by the County during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2023, the County’s proportion was approximately 0.2216 percent, which was a decrease of 0.0036 percentage points from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized OPEB expense of \$4,784. At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 910	
County contributions subsequent to the measurement date	<u>40,828</u>	<u> </u>
Totals	<u>\$ 41,738</u>	<u>\$ -</u>

The County reported \$40,828 as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2024	\$ (151)
2025	(1,150)
2026	2,461
2027	<u>(250)</u>
	<u>\$ 910</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Inflation	2.00%
Wage inflation	2.75% (2.25% for teachers)
Salary increases	5.40%, average, including inflation
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with creditability adjustments for each member classification (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The long-term expected rate of return on OPEB 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. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Public equity	50%	5.40-5.65%
Private market equity	20%	4.00-6.65%
Private debt	5%	5.05%
Fixed income	<u>25%</u>	2.15%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2023 was 6.75%. The projection of cash flows used to determine this discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the County’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75%, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 822,591	\$ 757,382	\$ 700,489

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

SINGLE EMPLOYER PLAN

Plan Description

The County of Cheshire, New Hampshire administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The County provides medical benefits to its eligible retirees and their covered spouses. The benefits are provided through the County’s self-funded insurance plan that is administered by Harvard Pilgrim. Employees other than police hired prior to July 1, 2011 are eligible to retire at age 60 regardless of years of creditable service, age 50 with at least 10 years of creditable service, or at any age if they have at least 20 years of creditable service and the sum of their age and years of service is at least 70. Employees other than police hired on or after July 1, 2011 are eligible to retire at age 65 regardless of years of creditable service, or age 60 with at least 30 years of creditable service. Police officers hired prior to July 1, 2011 are eligible to retire at age 45 with at least 20 years of Group II creditable service, or at age 60 regardless of their years of creditable service. Police officers hired on or after July 1, 2011 are eligible to retire at age 50 with 25 years of Group II creditable service or at age 60 regardless of years of creditable service. Retirees and their covered spouses are required to pay 100% of the cost of the premium. The valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving spouses continue to receive coverage after the death of the eligible retired employee but are required to pay 100% of the premium.

Employees Covered By Benefit Terms

At January 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>270</u>
	<u><u>271</u></u>

Total OPEB Liability

The County’s total OPEB liability of \$1,241,887 was measured as of December 31, 2023, and was determined by a roll forward of the actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the January 1, 2022 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	3.72%
Healthcare cost trend rates	2.00% initial, increasing to 7.50% in 2023, then decreasing to an ultimate rate of 4.54% for 2090 and later years

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

The discount rate was based on the index provided by the *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 31, 2022.

Mortality rates were based on the Pub-2010 General Employees Headcount-Weighted Mortality fully generational using Scale MP-2021, Pub-2010 General Retirees Headcount-Weighted Mortality fully generational using Scale MP-2021, and Pub-2010 Safety Employees Headcount-Weighted Mortality fully generational using Scale MP-2021.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balance at January 1, 2023	\$ 1,148,734
Changes for the year:	
Service cost	65,344
Interest	44,847
Benefit payments	<u>(17,038)</u>
Net changes	<u>93,153</u>
Balance at December 31, 2023	<u>\$ 1,241,887</u>

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

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.72%, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,361,163	\$ 1,241,887	\$ 1,133,256

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

The following presents the total OPEB liability of the County, calculated using the trend rate starting at 7.50%, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,075,009	\$ 1,241,887	\$ 1,442,738

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

For the year ended December 31, 2023, the County recognized negative OPEB expense of (\$127,244). At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 708,841
Changes of assumptions	<u>\$ 315,265</u>	<u>363,599</u>
Totals	<u>\$ 315,265</u>	<u>\$ 1,072,440</u>

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

<u>December 31,</u>	
2024	\$ (237,435)
2025	(226,204)
2026	(248,488)
2027	<u>(45,048)</u>
	<u>\$ (757,175)</u>

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Funding Policy

Covered public safety employees are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The County is required to contribute at an actuarially determined rate. The County's pension contribution rates for covered payroll of public safety employees and general employees were 30.67% and 13.75%, respectively, through June 30, 2023, and 28.68% and 13.27%, respectively, thereafter. The County contributes 100% of the employer cost for public safety employees and general employees of the County.

Per RSA-100:A16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on their actuarial funding policy. The County's pension contributions to the NHRS for the year ending December 31, 2023 were \$2,766,587.

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

At December 31, 2023, the County reported a liability of \$24,958,978 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2022. The County's proportion of the net pension liability was based on actual contributions by the County during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2023, the County's proportion was approximately 0.4458 percent, which was an increase of 0.0202 percentage points from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the County recognized pension expense of \$3,180,952. At December 31, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 637,757	\$ 10,031
Changes of assumptions	656,907	
Net difference between projected and actual earnings on pension plan investments	360,949	
Changes in proportion and differences between County contributions and proportionate share of contributions	946,133	208,929
County contributions subsequent to the measurement date	<u>1,368,020</u>	
Total	<u>\$ 3,969,766</u>	<u>\$ 218,960</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$3,750,806. The County reported \$1,368,020 as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as a component of pension expense in the measurement periods as follows:

<u>June 30,</u>	
2024	\$ 934,595
2025	(243,066)
2026	1,574,829
2027	<u>116,428</u>
	<u>\$ 2,382,786</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2022, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for teachers)
Salary increases	5.40%, average, including inflation
Investment rate of return	6.75%, net of investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with creditability adjustments for each membership classification (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Public equity	50%	5.40-5.65%
Private market equity	20%	4.00-6.65%
Private debt	5%	5.05%
Fixed income	<u>25%</u>	2.15%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability as of June 30, 2023 was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 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 collective pension liability.

Sensitivity of the County’s 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 6.75%, 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 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability	\$ 33,866,311	\$ 24,958,978	\$ 17,348,206

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

NOTE 10—PROPERTY TAXES

Property taxes levied to support the County are based on the assessed valuation of the prior April 1st for all taxable real property. Under state statutes, the twenty-three Towns/City that comprise Cheshire County (all independent governmental units) collect County taxes as part of local property tax assessments. As collection agent, the Towns/City are required to pay over to the County its share of property tax assessments. The Towns/City assume financial responsibility for all uncollected property taxes under state statutes.

NOTE 11—SELF INSURANCE

The County established a Health and Dental Insurance Fund (an Internal Service Fund) to account for and finance its self-insurance program related to employee and retiree health benefits. Under this program, the Health and Dental Insurance Fund provides coverage for up to a maximum of \$150,000 annually for each individual plan participant. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss.

All funds of the County participate in the program and make payments to the Health and Dental Insurance Fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability reported in the fund at year end is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information is available prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund’s claims liability amount for the past five years are as follows:

<u>Year Ending December 31,</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Liability</u>
2019	\$ 270,273	\$ 5,521,594	\$ (5,254,365)	\$ 537,502
2020	\$ 537,502	\$ 5,096,465	\$ (5,341,190)	\$ 292,777
2021	\$ 292,777	\$ 5,059,513	\$ (5,120,033)	\$ 232,257
2022	\$ 232,257	\$ 5,831,833	\$ (5,545,440)	\$ 518,650
2023	\$ 518,650	\$ 6,403,184	\$ (6,248,063)	\$ 673,771

NOTE 12—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes at December 31, 2023 as follows:

Donations	\$ 253,369
Deeds surcharge funds	169,415
Miscellaneous grant funds	<u>330,586</u>
	<u>\$ 753,370</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

NOTE 13—COMPONENTS OF FUND BALANCE

Fund balance components of the County’s governmental funds at December 31, 2023 are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>EMS Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 197,401			\$ 197,401
Restricted for:				
Nursing Home reconstruction project			\$ 305,316	305,316
Donations	80,683		172,686	253,369
Deeds surcharge			169,415	169,415
Miscellaneous grant funds			330,586	330,586
Committed for:				
Capital Reserves	1,531,465			1,531,465
Assigned for:				
EMS operations				
Jail canteen			197,697	197,697
Sheriff civil processing			499	499
Encumbrances	136,019			136,019
Carryforward appropriations	1,217,899			1,217,899
Unassigned (deficit)	<u>20,513,279</u>	<u>\$ (527,624)</u>		<u>19,985,655</u>
	<u>\$ 23,676,746</u>	<u>\$ (527,624)</u>	<u>\$ 1,176,199</u>	<u>\$ 24,325,321</u>

NOTE 14—RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2023, the County was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2023.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the County shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 15—COMMITMENTS AND CONTINGENCIES

Litigation

There may be various claims and suits pending against the County, which arise in the normal course of the County's activities. In the opinion of management, any potential claims against the County which are not covered by insurance are immaterial and would not affect the financial position of the County.

Other Contingencies

The County participates in the federally assisted Medicaid program at the County Nursing Home. This program is subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time; although the County expects such amounts, if any, to be immaterial.

Federal Grants

The County participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 16—CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

For the year ended December 31, 2023, the County implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Under Statement No. 94, the County is required to record a receivable for installment payments and a deferred inflow of resources for the consideration received or to be received as part of the availability payment arrangement. Governmental fund revenue would be recognized in a systematic and rational manner over the term of the arrangement. No such arrangements have been identified by the County. Accordingly, management has determined that the effect of implementing GASB Statement No. 94 to its financial statements to be immaterial.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2023

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. GASB Statement No. 96 defines a subscription-based information technology arrangement (SBITA) as a contract to use another party's software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, governments generally recognize a right-to-use subscription asset (intangible asset) and a corresponding subscription liability for each SBITA agreement greater than one year in length. As a result of implementing GASB Statement No. 96, the County has recognized \$275,570 as an intangible capital asset as of January 1, 2023. However, this entire amount was offset by the recognition of a SBITA liability for the related agreements.

SCHEDULE 1
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 29,093,371	\$ 29,093,371	\$ 29,093,371	\$ -
Intergovernmental	11,883,803	13,384,323	12,073,946	(1,310,377)
Charges for services	21,122,655	20,822,655	19,965,846	(856,809)
Interest income	319,000	319,000	404,832	85,832
Miscellaneous	958,503	958,503	947,704	(10,799)
Total Revenues	<u>63,377,332</u>	<u>64,577,852</u>	<u>62,485,699</u>	<u>(2,092,153)</u>
Expenditures:				
Current operations:				
General government	7,828,314	7,983,314	7,840,150	143,164
Public safety	11,290,429	11,290,429	10,098,289	1,192,140
Human services	19,763,983	19,781,983	16,468,450	3,313,533
Conservation	87,966	87,966	87,957	9
Nursing home	22,048,821	22,148,821	19,937,131	2,211,690
Capital outlay	5,531,935	1,344,486	1,332,090	12,396
Debt service:				
Principal retirement	3,815,082	3,815,082	3,815,082	-
Interest and fiscal charges	1,617,164	1,617,164	1,582,271	34,893
Total Expenditures	<u>71,983,694</u>	<u>68,069,245</u>	<u>61,161,420</u>	<u>6,907,825</u>
Excess revenues over (under) expenditures	<u>(8,606,362)</u>	<u>(3,491,393)</u>	<u>1,324,279</u>	<u>4,815,672</u>
Other financing sources (uses):				
Transfers in	2,806,262	2,633,605	1,428,696	(1,204,909)
Transfers out	<u>(293,521)</u>	<u>(593,521)</u>	<u>(598,874)</u>	<u>(5,353)</u>
Total Other financing sources (uses)	<u>2,512,741</u>	<u>2,040,084</u>	<u>829,822</u>	<u>(1,210,262)</u>
Net change in fund balance	(6,093,621)	(1,451,309)	2,154,101	3,605,410
Fund Balance at beginning of year				
- Budgetary Basis	<u>19,774,478</u>	<u>19,774,478</u>	<u>19,774,478</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 13,680,857</u>	<u>\$ 18,323,169</u>	<u>\$ 21,928,579</u>	<u>\$ 3,605,410</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

COUNTY OF CHESHIRE, NEW HAMPSHIRE

Schedule of Changes in the County's Proportionate Share of the Net OPEB Liability

For the Year Ended December 31, 2023

Cost-Sharing Multiple Employer Plan Information Only

<u>Measurement Period Ended</u>	<u>County's Proportion of the Net OPEB Liability</u>	<u>County's Proportionate Share of the Net OPEB Liability</u>	<u>County's Covered Payroll</u>	<u>County's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2023	0.22163806%	\$ 757,382	\$ 17,711,462	4.28%	12.80%
June 30, 2022	0.22520356%	\$ 851,016	\$ 16,002,096	5.32%	10.64%
June 30, 2021	0.21442462%	\$ 858,678	\$ 15,603,420	5.50%	11.06%
June 30, 2020	0.23335097%	\$ 1,021,398	\$ 14,880,674	6.86%	7.74%
June 30, 2019	0.27241462%	\$ 1,194,296	\$ 14,146,452	8.44%	7.75%
June 30, 2018	0.30274245%	\$ 1,386,093	\$ 13,807,662	10.04%	7.53%
June 30, 2017	0.22908185%	\$ 1,047,440	\$ 13,971,937	7.50%	7.91%
June 30, 2016	0.25690930%	\$ 1,243,711	\$ 13,076,762	9.51%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*

* 10 Year schedule, historical information not available

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2022 - 2023	2.00%	5.40%	6.75%	Pub-2010	MP-2019
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015

See accompanying notes to the required supplementary information

SCHEDULE 3
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of County OPEB Contributions
For the Year Ended December 31, 2023

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2023	\$ 90,755	\$ (90,755)	\$ -	\$ 18,778,455	0.48%
December 31, 2022	\$ 94,783	\$ (94,783)	\$ -	\$ 16,496,902	0.57%
December 31, 2021	\$ 97,790	\$ (97,790)	\$ -	\$ 15,803,266	0.62%
December 31, 2020	\$ 106,980	\$ (106,980)	\$ -	\$ 15,311,264	0.70%
December 31, 2019	\$ 113,350	\$ (113,350)	\$ -	\$ 14,333,058	0.79%
December 31, 2018	\$ 130,727	\$ (130,727)	\$ -	\$ 14,021,972	0.93%
December 31, 2017	\$ 132,899	\$ (132,899)	\$ -	\$ 13,673,027	0.97%
December 31, 2016	\$ 136,622	\$ (136,622)	\$ -	\$ 13,250,079	1.03%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 4

COUNTY OF CHESHIRE, NEW HAMPSHIRE

Schedule of Changes in the County's Total OPEB Liability and Related Ratios

For the Year Ended December 31, 2023

<u>Single Employer Plan Information Only</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total OPEB Liability:										
Service cost	\$ 65,344	\$ 63,000	\$ 133,953	\$ 131,172	\$ 119,362	\$ 127,528	*	*	*	*
Interest	44,847	41,495	48,026	44,990	67,576	55,307	*	*	*	*
Changes of assumptions or other inputs		(555,035)		782,655		(116,393)	*	*	*	*
Differences between expected and actual experience		(814,999)		(466,012)			*	*	*	*
Benefit payments	(17,038)	(16,427)	(33,320)	(32,628)	(26,533)	(25,488)	*	*	*	*
Net change in total OPEB liability	93,153	(1,281,966)	148,659	460,177	160,405	40,954	*	*	*	*
Total OPEB Liability at beginning of year	1,148,734	2,430,700	2,282,041	1,821,864	1,661,459	1,620,505	*	*	*	*
Total OPEB Liability at end of year	<u>\$ 1,241,887</u>	<u>\$ 1,148,734</u>	<u>\$ 2,430,700</u>	<u>\$ 2,282,041</u>	<u>\$ 1,821,864</u>	<u>\$ 1,661,459</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Covered employee payroll	\$ 15,037,722	\$ 14,599,730	\$ 12,995,347	\$ 12,740,536	\$ 11,883,534	\$ 11,650,524	*	*	*	*
Total OPEB liability as a percentage of covered employee payroll	8.26%	7.87%	18.70%	17.91%	15.33%	14.26%	*	*	*	*
<u>Significant Actuarial Assumptions</u>										
Discount rate	3.72%	3.72%	2.12%	2.12%	4.10%	3.44%	*	*	*	*
Health cost trend rates:										
Initial	2.0% - 2022	2.0% - 2022	2.0% - 2020	2.0% - 2020	2.21% - 2018	2.21% - 2018	*	*	*	*
Ultimate	4.54% - 2090	4.54% - 2090	5.0% - 2030	5.0% - 2030	5.0% - 2028	5.0% - 2028	*	*	*	*
Mortality data set	Pub-2010	Pub-2010	SOA RP-2014	SOA RP-2014	SOA RP-2014	SOA RP-2014	*	*	*	*
Mortality improvement scale	MP-2021	MP-2021	MP-2020	MP-2020	MP-2017	MP-2017	*	*	*	*

Note To Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 5

COUNTY OF CHESHIRE, NEW HAMPSHIRE

Schedule of Changes in the County's Proportionate Share of the Net Pension Liability

For the Year Ended December 31, 2023

<u>Measurement Period Ended</u>	<u>County's Proportion of the Net Pension Liability</u>	<u>County's Proportionate Share of the Net Pension Liability</u>	<u>County's Covered Payroll</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2023	0.44583298%	\$ 24,958,978	\$ 17,711,462	140.92%	67.18%
June 30, 2022	0.42557925%	\$ 24,411,785	\$ 16,002,096	152.55%	65.12%
June 30, 2021	0.42136353%	\$ 18,674,491	\$ 15,603,420	119.68%	72.22%
June 30, 2020	0.42490015%	\$ 27,177,256	\$ 14,880,674	182.63%	58.72%
June 30, 2019	0.44018702%	\$ 21,180,279	\$ 14,146,452	149.72%	65.59%
June 30, 2018	0.44406881%	\$ 21,382,812	\$ 13,807,662	154.86%	64.73%
June 30, 2017	0.49770168%	\$ 24,476,933	\$ 13,971,937	175.19%	62.66%
June 30, 2016	0.49712847%	\$ 26,435,280	\$ 13,076,762	202.15%	58.30%
June 30, 2015	0.50078953%	\$ 19,838,913	\$ 12,812,858	154.84%	65.47%
June 30, 2014	0.49480395%	\$ 18,572,891	\$ 12,278,583	151.26%	66.32%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2022 - 2023	2.00%	5.40%	6.75%	Pub-2010	MP-2019
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary

SCHEDULE 6
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of County Pension Contributions
For the Year Ended December 31, 2023

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2023	\$ 2,766,587	\$ (2,766,587)	\$ -	\$ 18,778,455	14.73%
December 31, 2022	\$ 2,522,882	\$ (2,522,882)	\$ -	\$ 16,496,902	15.29%
December 31, 2021	\$ 2,192,391	\$ (2,192,391)	\$ -	\$ 15,803,266	13.87%
December 31, 2020	\$ 1,923,784	\$ (1,923,784)	\$ -	\$ 15,311,264	12.56%
December 31, 2019	\$ 1,852,292	\$ (1,852,292)	\$ -	\$ 14,333,058	12.92%
December 31, 2018	\$ 1,886,114	\$ (1,886,114)	\$ -	\$ 14,021,972	13.45%
December 31, 2017	\$ 1,822,410	\$ (1,822,410)	\$ -	\$ 13,673,027	13.33%
December 31, 2016	\$ 1,755,339	\$ (1,755,339)	\$ -	\$ 13,250,079	13.25%
December 31, 2015	\$ 1,799,614	\$ (1,799,614)	\$ -	\$ 13,385,305	13.44%
December 31, 2014	\$ 1,651,749	\$ (1,651,749)	\$ -	\$ 12,607,567	13.10%

See accompanying notes to the required supplementary information

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2023

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the County. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). General Fund budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances, non-budgetary revenues and expenditures, and budgetary transfers as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 63,291,257	\$ 61,097,052
Encumbrances - December 31, 2023		136,019
Encumbrances - December 31, 2022		(27,347)
Non-budgetary revenues and expenditures	(79,029)	(31,960)
Budgetary transfers	<u>702,167</u>	<u>586,530</u>
Per Schedule 1	<u>\$ 63,914,395</u>	<u>\$ 61,760,294</u>

Major Special Revenue Fund

The County adopts its budgets under regulations of the New Hampshire Department of Revenue Administration which differ from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the EMS Fund as the information is neither practical nor meaningful.

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2023 are as follows:

Nonspendable:	
Prepaid items	\$ 197,401
Assigned for:	
Carryforward appropriations	1,217,899
Unassigned	<u>20,513,279</u>
	<u>\$ 21,928,579</u>

SCHEDULE I
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
DEPARTMENT OF COMMERCE				
Direct Award Program				
<i>Economic Development Cluster:</i>				
Economic Adjustment Assistance	11.307	01-79-15111	\$ 102,760	
Total Economic Development Cluster			<u>102,760</u>	<u>\$ 31,114</u>
Total Department of Commerce			<u>102,760</u>	<u>31,114</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass Through Payments from the Community Development Finance Authority				
COVID-19 Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#21-031-CDPF-CV	356,764	
COVID-19 Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#22-403-CDPF-CV	16,151	
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#22-403-CDMC	298,577	
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#22-403-EGPF	699,207	
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#23-403-CDMC	156,799	
			<u>1,527,498</u>	<u>1,437,849</u>
Total Department of Housing and Urban Development			<u>1,527,498</u>	<u>1,437,849</u>
DEPARTMENT OF JUSTICE				
Direct Award Program				
Drug Court Discretionary Grant Program	16.585	15PBJA-21-GG- 04130-DGCT	81,021	
Pass Through Payments from the New Hampshire Department of Justice				
Violence Against Women Formula Grants	16.588	#2023VAW05	30,000	
Direct Award Program				
Bulletproof Vest Partnership Program	16.607	2022BUBX22032056	57	
Bulletproof Vest Partnership Program	16.607	2023BUBX23036379	1,032	
			<u>1,089</u>	<u>-</u>
Direct Award Program				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-22-GG- 01522-TECP	183,190	
Direct Award Program				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-22-GG- 02758-JAGX	7,192	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-23-GG- 03622-JAGX	5,208	
			<u>12,400</u>	<u>5,655</u>
Total Department of Justice			<u>307,700</u>	<u>5,655</u>

See accompanying notes to schedule of expenditures of federal awards

SCHEDULE I
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
DEPARTMENT OF TRANSPORTATION				
Pass Through Payments from the Department of Natural and Cultural Resources				
Recreational Trails Program	20.219	4369A23-10	28,280	
Pass Through Payments from the New Hampshire Department of Transportation				
<i>Transit Services Programs Cluster:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	1385-2021-4	116,376	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NH-2023-012	107,966	
<i>Total Transit Services Programs Cluster</i>			224,342	218,800
Pass Through Payments from the New Hampshire Department of Highway Safety				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	69A37521300004020 NH0	177	
<i>Total Highway Safety Cluster</i>			177	-
Total Department of Transportation			252,799	218,800
DEPARTMENT OF THE TREASURY				
Direct Award Program				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0145	1,990,383	
Pass Through Payments from the New Hampshire Department of Justice				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0145	22,515	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0145	28,045	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0145	2,984	
Pass Through Payments from the Governor's Office for Emergency Relief and Recovery				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	920,768	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0145	1,174,871	
Pass Through Payments from the New Hampshire Department of Health and Human Services				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	23,298	
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SS-2021-DBH-050CAREM	314,475	
			4,477,339	-
Total Department of the Treasury			4,477,339	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Award Program				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	H79SM082959	831,557	

See accompanying notes to schedule of expenditures of federal awards

SCHEDULE I
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)				
Direct Award Program				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	H79TI084693	60,653	_____
Pass Through Payments from the New Hampshire Department of Health and Human Services				
COVID-19 Activities to Support State, Tribal, Local and Territorial Health Department Responses to Public Health or Healthcare Crises	93.391	NH75OT000031	207,328	196,438
Direct Award Program				
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A	128,037	_____
Total Department of Health and Human Services			<u>1,227,575</u>	<u>196,438</u>
DEPARTMENT OF HOMELAND SECURITY				
Pass Through Payments from the New Hampshire Department of Safety				
Homeland Security Grant Program	97.067	EMW-2020-SS- 00045-S01	12,832	_____
Homeland Security Grant Program	97.067	EMW-2021-SS- 00049-S01	12,439	_____
Homeland Security Grant Program	97.067	EMW-2022-SS- 00036	38,549	_____
			<u>63,820</u>	<u>-</u>
Total Department of Homeland Security			<u>63,820</u>	<u>-</u>
OTHER AGENCIES				
Pass Through Payments from the Northern Border Regional Commission				
Northern Border Regional Development	90.601	NBRC22GNH11	215,605	_____
Total Other Agencies			<u>215,605</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 8,175,096</u>	<u>\$ 1,889,856</u>

See accompanying notes to schedule of expenditures of federal awards

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the County of Cheshire, New Hampshire (the “County”) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 of the County’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The County has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—PROVIDER RELIEF FUNDS

During the year ended December 31, 2022, the County recognized total revenue of \$128,037 from the Provider Relief Fund (ALN 93.498). This amount is reported on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2023, per the Uniform Guidance and based upon the Provider Relief Fund reports submitted to the United States Department of Health and Human Services.

NOTE 5—LOAN

During the year ended December 31, 2023, the County received a loan from the State of New Hampshire Office of Governor, funded through the State Fiscal Recovery Funds (ALN 21.027). The balance of this loan outstanding on December 31, 2023 is \$920,768.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Commissioners
County of Cheshire, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County of Cheshire, New Hampshire's basic financial statements, and have issued our report thereon dated June 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Cheshire, New Hampshire's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Cheshire, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Cheshire, New Hampshire's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Cheshire, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
June 14, 2024

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Commissioners
County of Cheshire, New Hampshire

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the County of Cheshire, New Hampshire's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County of Cheshire, New Hampshire's major federal programs for the year ended December 31, 2023. The County of Cheshire, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County of Cheshire, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Cheshire, New Hampshire and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Cheshire, New Hampshire's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Cheshire, New Hampshire's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Cheshire, New Hampshire's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Cheshire, New Hampshire's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Cheshire, New Hampshire's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Cheshire, New Hampshire's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County of Cheshire, New Hampshire's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
June 14, 2024

**County of Cheshire, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified - all reporting units

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

ALN Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
90.601	Northern Border Regional Development

Dollar threshold used to distinguish between Type A and Type B program: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II—Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III—Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under 2 CFR 200.516(a).