

COUNTY OF CHESHIRE, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
December 31, 2020
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

COUNTY OF CHESHIRE, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Cheshire, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire (the County) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Cheshire, New Hampshire, as of December 31, 2020, 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.

Other Matters

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 on pages i-x and 39-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cheshire, New Hampshire's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2021 on our consideration of the County of Cheshire, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 of Cheshire, New Hampshire'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.

Vashon Clukay & Company PC

Manchester, New Hampshire
May 6, 2021

**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, 2020. 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 2020 are as follows:

- The County's net position for year-end was \$16,109,041 an increase of \$2,871,043 which represents a 21.69% increase over the 2019 net position of \$13,237,998. The major increase is in capital assets and internal service fund.
- At the end of the current year, the County's governmental funds reported a combined ending fund balance of \$17,407,240 a decrease of \$5,680,564 from the prior year balance of \$23,087,804. The decrease represents payments from bond proceeds for the renovation of Maplewood Nursing Home. Of this amount, \$12,098,539 is available for spending (unassigned).
- At the end of the current year, unassigned fund balance for the General Fund was \$12,098,539, which represents a 25.83% increase from the prior year balance of \$9,614,812.

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.

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

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 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, 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 a substantial amount of revenue in charges for services but does require funding by taxes as well.

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 2020, the County has determined the General Fund and Maplewood Capital Projects Fund 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 this 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 the Maplewood Capital Projects Fund. Data from the other governmental funds, which includes Hemenway Fund, Deeds Surcharge, Sheriff's Forfeiture Fund and Civil Processing,

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

Jail Canteen, Court House Restoration Fund, CDBG Fund and Grant Funds are combined into a single, aggregated presentation.

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, 2020 compared with 2019.

County assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,109,041 as of December 31, 2020. This is an increase in net position, of \$2,871,043 from 2019.

Cheshire County, New Hampshire Net Position
As of December 31, 2020 and December 31, 2019

	Governmental Activities	
	2020	2019
Current and Other Assets	\$ 25,923,074	\$ 30,725,075
Direct Financing Lease A/R	0	136,305
Note Receivable	0	750,000
Capital Assets, Net	73,009,074	59,812,181
Total Assets	\$ 98,932,148	\$ 91,423,561
Deferred Outflows of Resources		
Loss on debt refunding	491,724	642,782
Def outflow OBEB Liab	803,192	152,963
Def Outflows Net Pension Liab	6,069,223	1,826,530
Total Deferred Outflows	\$ 7,364,139	\$ 2,622,275
Current Liabilities	10,603,162	10,328,900
Non current Liabilities	77,098,323	68,003,882
Total Liabilities	\$ 87,701,485	\$ 78,332,782

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

Cheshire County, New Hampshire Net Position
As of December 31, 2020 and December 31, 2019

	Governmental Activities	
	2020	2019
Deferred Inflows of Resources		
Def Inflow finance lease	\$ 6,305	\$ 18,850
Def Inflow OBEB Liab	599,270	241,359
Def Inflow Net Pension Liab	<u>1,880,186</u>	<u>2,214,847</u>
Total Deferred Inflows	<u>\$ 2,485,761</u>	<u>\$ 2,475,056</u>
Net Position		
Net Investment in Capital Assets	26,476,198	24,173,591
Restricted	402,187	367,010
Unrestricted (deficit)	<u>(10,769,344)</u>	<u>(11,302,603)</u>
Total Net Position	<u>\$ 16,109,041</u>	<u>\$ 13,237,998</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 (\$26,476,198) 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 (\$402,187) 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 (-\$10,769,344) resulted in an increase of \$533,259 over 2019 of (-\$11,302,603).

The next statement provided shows the changes in the net position for 2019 and 2020.

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues		
Charges for Services	\$ 13,361,961	\$ 13,294,520
Operating Grants and Contributions	11,959,895	9,016,001
Capital Grants and Contributions	<u>270,071</u>	<u>405,500</u>
Total Program Revenues	<u>25,591,927</u>	<u>22,716,021</u>
General Revenues		
Property Taxes	28,718,371	28,324,218
Interest and Investment	126,143	723,788

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Other	990,754	437,716
Loss on disposal of Asset	<u>(33,629)</u>	<u>(264,344)</u>
Total General Revenue and Loss on Disposal of Asset	<u>29,801,639</u>	<u>29,221,378</u>
Total Revenues	<u>55,393,566</u>	<u>51,937,399</u>
Expenses:		
General Government	7,038,421	6,335,686
Public Safety	10,157,229	9,802,725
Human Services	11,705,503	11,528,236
Conservation	67,671	63,034
Economic Development	423,488	745,894
Interest and fiscal charges	1,609,976	1,610,545
Cheshire County Nursing Home	<u>21,520,235</u>	<u>17,855,835</u>
Total Expenses	<u>52,522,523</u>	<u>47,941,955</u>
Increase (Decrease) in Net Position	<u>\$ 2,871,043</u>	<u>\$ 3,995,444</u>
Net position – beginning	<u>\$ 13,237,998</u>	<u>\$ 9,242,554</u>
Net position – ending	<u>\$ 16,109,041</u>	<u>\$ 13,237,998</u>

Governmental Activities

Charges to users of governmental services made up \$13,361,961 or 24.12% of total government revenues and include such services as provided by the Nursing Home, Sheriff's Department, Department of Corrections, Registry of Deeds, and Assisted Living Apartments. Additionally, the County receives revenue from operating grants and other contributions. In 2020, this totaled \$11,959,895 or 21.59% 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 System of Care Program. Other contributions included in the amount are grants for Public Health initiatives and Enforcing Underage Drinking programs as well as Pro Share Funds and MQIP receipts to support Maplewood Nursing Home.

In 2020, the County was the recipient of COVID funding from the Cares Act as well as an indirect allocation of COVID funding from the State of New Hampshire. The State also provided funding to pay Health Care Stipends to our Nursing Home workers and First Responder Stipends to Sheriff's Deputies and Correctional Officers. The increase in grants is attributed to the COVID funding received.

Property tax revenues are the County's largest revenue, accounting for \$28,718,371 or 51.84% 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 do 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

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

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 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 2020 County Taxes attributable to the State pass through for these Medicaid State Programs was \$7,619,796 or 26.53% 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, 2020, approximately 80% of the nursing home census consisted of residents needing Medicaid assistance in order to pay for their care. Based on the 2020 Medicaid cost report for Maplewood, the per diem rate was calculated to be \$530.57, however, the actual paid per diem as of December 31, 2020 was \$186.62 or \$343.95 per day short of 2020 costs. The supplemental payment provided an additional reimbursement averaging \$55.77 with the Proportionate Share Funds providing additional reimbursement of \$124.49 per day. Further the Health Care Stipends and other COVID -19 revenues received accounted for an additional \$50.99 per day. These additional payments still leave the allowable per diem rate short by approximately \$112.70 per day.

As of January 1, 2021, the Medicaid rate for Maplewood Nursing Home decreased by \$1.63 per day to a daily rate of \$184.99.

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, 2020 and December 31, 2019**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
General Government	\$ 7,038,421	\$ 6,335,686	\$ 5,641,375	\$ 5,222,171
Public Safety	10,157,229	9,802,725	8,058,435	7,469,845
Human Services	11,705,503	11,528,236	8,660,173	8,251,863
Conservation	67,671	63,034	67,671	63,034
Economic Development	423,488	745,894	0	-8,601
Nursing Home	21,520,235	17,855,835	2,892,966	2,617,077
Interest Expense	<u>1,609,976</u>	<u>1,610,545</u>	<u>1,609,976</u>	<u>1,610,545</u>
Total Expenses	<u>\$ 52,522,523</u>	<u>\$ 47,941,955</u>	<u>\$ 26,930,596</u>	<u>\$ 25,225,934</u>

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

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

As of December 31, 2020, the County's governmental funds reported a combined ending fund balance of \$17,407,240, a decrease of \$5,680,564 in comparison with the prior year. The majority of the decrease is due to the payments towards the renovation/expansion of Maplewood Nursing Home bond funds. Approximately 69.5% of this total, \$12,098,539, represents unassigned fund balance, an increase of \$2,483,727 over 2019 or 21.6% of the County's annual budget. The County has applied approximately \$2,428,416 towards 2021 taxes adjusting the unassigned to 17.27%.

The amount of the County's unassigned fund balance is in line with our objective of retaining a recommended level of between 12% and 16% of the County's annual budget.

A complete description of the above mentioned classifications and a more detailed breakdown may be found on page 36 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. Therefore, any new purchases or proposed changes to the budget are not executed until the budget is adopted. On March 30, 2020, the County Convention adopted the 2020 budget. As adopted, the bottom line was up 13.95%, \$7,213,055 for a total budget of \$58,903,473. The major impact of the bottom line budget was the gross appropriation of a bond to purchase the 33 Winter Street Building that is leased to the State of NH for the Court systems. This bond accounted for \$6,950,000 of the overall bottom line increase. Taxes to be raised were up by 1.39%, \$394,153 over 2019 for total taxes to be raised of \$28,718,371.

As you can imagine, the impact of COVID coming right at the time we adopted the 2020 budget caused for the County to approach things differently. Even after the budget was passed, the Commissioners asked that department heads to hold off on any capital purchases that were not immediately needed. As it became apparent that there were many unknowns and unexpected purchases for items such as PPE for our Nursing Home, Department of Corrections and other facilities in order to continue essential functions we recognized immediately that we had to approach operations differently.

As time went by the County was provided with funding from the Cares Act through the State of New Hampshire to assist with the expenses that were realized as a result of COVID. Further the Nursing Home received direct payments from CMS to aid the nursing home with PPE, staffing, testing, revenue shortfalls etc. The State of New Hampshire also provided funding for stipends to be paid to the Nursing Home employees as well as First Responders that included Sheriff Deputies and Department of Correction's staff.

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

On August 10, 2020 a budget amendment was brought before the County Delegation amending the budget for the receipt of the COVID funding that had been received to date as well as excess funding in the event further monies were received. The budget was amended by a total of \$3,213,643 for COVID funding. Additionally, the Delegation amended the budget for the non-budgeted ProShare funds of \$2,581,935 as well as other minor items. As nearly \$1,450,000 of the ProShare funds were set aside to offset 2021 taxes, the total amendments impacting the bottom line spending resulted in an amended budget of \$63,279,747. The overall amendments did not impact taxes to be raised.

You can find the list of COVID funding received in the Schedule of Expenditures of Federal Awards starting on page 47.

Further budgetary highlights include Charges for Services in 2020 coming in under projections by approximately \$1,290,000. Areas such as revenue from holding Federal Inmates came under by \$300,000 and Nursing Home Revenues by approximately \$400,000. Both shortfalls were impacted by COVID with having to keep admissions down at the nursing home and reducing the number of new inmates being introduced to the Department of Corrections. Both the nursing home and Department of Corrections were able to offset their shortfalls by either COVID funding or expenses in general coming under. This can be seen in the variances recognized in Public Safety and Nursing Home Expenditures.

The other area contributing to the shortfall of revenues was a new program budget for the System of Care Sustainability program. This program had been funded by grants in prior years and in 2020 a sustainability budget was created as billing is now available for these services through Medicaid and a State contract. Although the budget was created with an anticipated start date of April, 2020 the transition did not occur until October of 2020. The shortfall in revenues was offset by the budgeted expenses in the Human Services category not being expended as well.

Capital Assets and Debt Administration

Capital Assets—The County's investment in capital assets for governmental activities as of December 31, 2020, was \$73,009,074 (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 2020 include the construction at Maplewood Nursing Home that was completed in 2020. Although the project will not be finalized until 2021 the new construction and renovation of one side of the building was completed during 2020. As of December 31st the construction that was complete for Maplewood was \$32,786,760. Other significant Capital Investments was the purchase of 33 Winter Street that is leased to the State of NH for the State Court Systems. This purchase was valued at \$7,500,000 with land and buildings. Equipment at the Nursing Home accounted for approximately \$350,000 and at other County Facilities building and equipment upgrades were complete totaling approximately \$352,000.

Note 4 – Notes of Capital Assets provides additional information about capital asset activity during 2020.

Long-Term Debt—At December 31, 2020, the County had total general obligation bonded debt and notes payable outstanding of \$45,325,000. Of this amount, \$130,000 is for the Jaffrey District Court House and is reimbursed by the State of New Hampshire by way of a lease agreement. The annual payment schedule for the lease corresponds with the bond schedule principal and interest payments.

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

Other outstanding debt includes bonds for the study of the new County Jail, which had a balance remaining of \$25,000 at year-end. Bonds for the construction of the County Correctional Facility were refinanced in 2016 and as a result had a balance outstanding of \$12,180,000 and the Geothermal Heating and Cooling System Bond for the County Correctional Facility had an outstanding balance at year-end of \$200,000. In 2017 the County bonded for the Expansion and Renovation of Maplewood Nursing Home and as of December, 2020 had an ending balance of \$26,375,000. As mentioned earlier, the County also purchased 33 Winter Street in 2020 with a long term lease with the State of New Hampshire for the State Court Systems. This is a 20 year bond with an outstanding balance of \$6,415,000.

The County's long term bonded debt decreased by debt payments of \$3,530,000 during 2020 and increased by \$6,415,000 with the addition of the new bond for 33 Winter Street.

The current outstanding debt for Cheshire County is as follows:

**Cheshire County, Outstanding Debt
December 31, 2020**

	Governmental Activities	Years Remaining
Jail Expansion Study	\$ 25,000	1
Jaffrey District Court House *	130,000	1
Jail Construction	12,180,000	7
Jail Geothermal System	200,000	4
Maplewood Nursing Home	26,375,000	17
33 Winter Street *	<u>6,415,000</u>	20
Total Outstanding	\$ 45,325,000	

*Self-Sustaining Debt

Debt Ratios FY2020

	\$45,325,000	\$38,780,000
	Overall Debt	Net Debt
Per Capita (77,117 – 2010)	\$587.74	\$502.87
Ratio to Net Assessed Val(\$7,249,860,385)	0.63%	0.53%
Ratio to Modified Assessed Valuation (\$7,282,666,956)	0.62%	0.53%

The County also entered into a joint obligation with the City of Keene in 2020 to pay off a bond the City still had outstanding for 33 Winter Street Building. When the County purchased the building in January 2020, the County agreed to pay ½ of the annual principal and interest of their debt until its maturity in year 2030. The gross ½ principal is a total of \$161,500 with a first year payment of \$26,500 and \$15,000 payments thereafter.

Having recently 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.

CHESHIRE COUNTY, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION & ANALYSIS

Economic Factors

- The Cheshire County unemployment rate for December 2020 was 3.3%, which compares to the State's rate of 3.7 %, the New England rate of 6.8% and the national rate of 6.5 %.
- Most recent equalized assessed valuations of property used for appropriating Cheshire County's 2020 taxes were \$8,024,265,705. This is an increase over the prior year assessed valuations of 6.23% or \$470,865,363.
- There was an outstanding tax payment due from a Cheshire County Town as of December 31, 2020. The Town of Stoddard had a late tax rate set and was only able to pay \$500,000 of the \$1,089,182 due. The town made the final payment on January 5, 2021. Below is a list of the 2020 Tax Apportionments to the Towns and the City of Keene.

	2020 Apportionment
Alstead	\$ 669,521
Chesterfield	2,182,058
Dublin	958,534
Fitzwilliam	1,102,923
Gilsum	248,919
Harrisville	784,860
Hinsdale	1,440,032
Jaffrey	1,920,996
Keene	7,132,096
Marlborough	746,696
Marlow	266,744
Nelson	464,563
Richmond	391,715
Rindge	2,505,076
Roxbury	96,900
Stoddard	1,089,182
Sullivan	228,756
Surry	324,365
Swanzey	2,308,676
Troy	532,510
Walpole	1,601,676
Westmoreland	670,860
Winchester	<u>1,050,713</u>
Total	\$28,718,371

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.

EXHIBIT A
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 21,925,607
Investments	322,324
Accounts receivable, net	911,010
Due from other governments	2,467,580
Prepaid expenses	160,248
Current portion of direct financing lease receivable	136,305
Total Current Assets	<u>25,923,074</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,442,935
Depreciable capital assets, net	71,566,139
Total Noncurrent Assets	<u>73,009,074</u>
Total Assets	<u>98,932,148</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on debt refunding	491,724
Deferred outflows of resources related to OPEB liability	803,192
Deferred outflows of resources related to net pension liability	6,069,223
Total Deferred Outflows of Resources	<u>7,364,139</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	2,912,320
Accrued expenses	1,665,319
Retainage payable	628,618
Due to other governments	827,306
Advances from grantors	541,243
Unearned revenue	172,106
Current portion of bonds payable	3,815,000
Current portion of joint obligation payable	26,500
Current portion of capital lease payable	14,750
Total Current Liabilities	<u>10,603,162</u>
Noncurrent Liabilities:	
Bonds payable	45,542,840
Joint obligation payable	135,000
Capital lease payable	15,619
Compensated absences payable	924,169
OPEB liability	3,303,439
Net pension liability	27,177,256
Total Noncurrent Liabilities	<u>77,098,323</u>
Total Liabilities	<u>87,701,485</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to direct financing lease	6,305
Deferred inflows of resources related to OPEB liability	599,270
Deferred inflows of resources related to net pension liability	1,880,186
Total Deferred Inflows of Resources	<u>2,485,761</u>
NET POSITION	
Net investment in capital assets	26,476,198
Restricted	402,187
Unrestricted (deficit)	<u>(10,769,344)</u>
Total Net Position	<u>\$ 16,109,041</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, 2020

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>	
Governmental Activities:					
General government	\$ 7,038,421	\$ 757,799	\$ 639,247		\$ (5,641,375)
Public safety	10,157,229	1,636,394	462,400		(8,058,435)
Human services	11,705,503	1,046,525	1,998,805		(8,660,173)
Conservation	67,671				(67,671)
Economic development	423,488		423,488		-
Nursing home	21,520,235	9,921,243	8,435,955	\$ 270,071	(2,892,966)
Interest and fiscal charges	1,609,976				(1,609,976)
Total governmental activities	<u>\$ 52,522,523</u>	<u>\$ 13,361,961</u>	<u>\$ 11,959,895</u>	<u>\$ 270,071</u>	<u>(26,930,596)</u>
		General revenues:			
		Property taxes			28,718,371
		Interest and investment earnings			126,143
		Miscellaneous			990,754
		Loss on disposal of asset			<u>(33,629)</u>
		Total general revenues and loss on disposal of assets			<u>29,801,639</u>
		Change in net position			<u>2,871,043</u>
		Net Position at beginning of year			<u>13,237,998</u>
		Net Position at end of year			<u>\$ 16,109,041</u>

See accompanying notes to the basic financial statements

EXHIBIT C
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2020

	General <u>Fund</u>	Maplewood Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 14,089,014	\$ 5,189,948	\$ 302,847	\$ 19,581,809
Investments	95,520		226,804	322,324
Accounts receivable, net	911,010			911,010
Due from other governments	2,431,629		35,951	2,467,580
Due from other funds	6,005		3,644	9,649
Prepaid expenses	160,248			160,248
Total Assets	<u>17,693,426</u>	<u>5,189,948</u>	<u>569,246</u>	<u>23,452,620</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,693,426</u>	<u>\$ 5,189,948</u>	<u>\$ 569,246</u>	<u>\$ 23,452,620</u>
LIABILITIES				
Accounts payable	\$ 933,261	\$ 1,696,989	\$ 35,951	\$ 2,666,201
Accrued expenses	1,200,257			1,200,257
Retainage payable		628,618		628,618
Due to other governments	827,306			827,306
Advances from grantors	508,431		32,812	541,243
Unearned revenue	172,106			172,106
Due to other funds	3,644	2,114	3,891	9,649
Total Liabilities	<u>3,645,005</u>	<u>2,327,721</u>	<u>72,654</u>	<u>6,045,380</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	160,248			160,248
Restricted	74,076	2,862,227	328,111	3,264,414
Committed	998,534			998,534
Assigned	717,024		168,481	885,505
Unassigned	12,098,539			12,098,539
Total Fund Balances	<u>14,048,421</u>	<u>2,862,227</u>	<u>496,592</u>	<u>17,407,240</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,693,426</u>	<u>\$ 5,189,948</u>	<u>\$ 569,246</u>	<u>\$ 23,452,620</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, 2020

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 17,407,240
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.	73,009,074
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:	
Direct financing lease receivable	136,305
Losses on debt refundings are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	491,724
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.	2,097,679
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	803,192
Deferred outflows of resources related to net pension liability	6,069,223
Deferred inflows of resources related to OPEB liability	(599,270)
Deferred inflows of resources related to net pension liability	(1,880,186)
Deferred inflows of resources related to direct financing lease	(6,305)
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	(49,357,840)
Joint obligation payable	(161,500)
Capital lease payable	(30,369)
Accrued interest on long-term obligations	(465,062)
Compensated absences payable	(924,169)
OPEB liability	(3,303,439)
Net pension liability	<u>(27,177,256)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 16,109,041</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, 2020

	General Fund	Maplewood Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 28,718,371			\$ 28,718,371
Intergovernmental	11,527,098	\$ 39,500	\$ 663,368	12,229,966
Charges for services	13,294,433		67,528	13,361,961
Interest and investment income	64,983	58,452	2,708	126,143
Miscellaneous	995,268	100,000	25,486	1,120,754
Total Revenues	<u>54,600,153</u>	<u>197,952</u>	<u>759,090</u>	<u>55,557,195</u>
Expenditures:				
Current operations:				
General government	6,441,978		6,521	6,448,499
Public safety	8,231,369		32,642	8,264,011
Human services	11,339,997		222,764	11,562,761
Conservation	65,243			65,243
Economic development			423,488	423,488
Nursing home	19,689,456		9,100	19,698,556
Capital outlay	7,153,832	8,919,224		16,073,056
Debt service:				
Principal retirement	3,530,000			3,530,000
Interest and fiscal charges	2,075,204			2,075,204
Total Expenditures	<u>58,527,079</u>	<u>8,919,224</u>	<u>694,515</u>	<u>68,140,818</u>
Excess revenues over (under) expenditures	<u>(3,926,926)</u>	<u>(8,721,272)</u>	<u>64,575</u>	<u>(12,583,623)</u>
Other financing sources (uses):				
Proceeds from bond issuances	6,415,000			6,415,000
Proceeds from bond premium	457,690			457,690
Proceeds from capital lease issuance	30,369			30,369
Transfers in	217,116	270,071		487,187
Transfers out	(270,071)	(200,000)	(17,116)	(487,187)
Total Other financing sources (uses)	<u>6,850,104</u>	<u>70,071</u>	<u>(17,116)</u>	<u>6,903,059</u>
Net change in fund balances	2,923,178	(8,651,201)	47,459	(5,680,564)
Fund Balances at beginning of year	<u>11,125,243</u>	<u>11,513,428</u>	<u>449,133</u>	<u>23,087,804</u>
Fund Balances at end of year	<u>\$ 14,048,421</u>	<u>\$ 2,862,227</u>	<u>\$ 496,592</u>	<u>\$ 17,407,240</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, 2020

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (5,680,564)
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 expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	13,230,522
Long-term notes receivable previously reported in the statement of net position were forgiven in connection with the purchase of a capital asset.	(750,000)
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.	(33,629)
Proceeds from the issuance of long-term obligations are other financing sources in the funds, but increase long-term liabilities in the statement of net position. Proceeds in the current year are as follows:	
Proceeds from bond issuance	(6,415,000)
Proceeds from bond premium	(457,690)
Proceeds from capital lease issuance	(30,369)
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	668,526
Amortization of loss on debt refunding	(151,058)
Repayment of principal on long-term general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,530,000
Revenue received from the State of New Hampshire and reported in the governmental funds is reported as a reduction of the direct financing lease receivable in the statement of net position.	(130,000)
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.	959,031
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	(52,240)
Joint obligation payable	(161,500)
Compensated absences payable	(240,402)
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	5,039
Net changes in pension	<u>(1,419,623)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 2,871,043</u>

See accompanying notes to the basic financial statements

EXHIBIT E
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2020

	Internal Service Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,343,798
Total Current Assets	<u>2,343,798</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	246,119
Total Current Liabilities	<u>246,119</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Unrestricted	<u>2,097,679</u>
Total Net Position	<u>\$ 2,097,679</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, 2020

	Internal Service Fund
Operating revenues:	
Charges for services	\$ 5,735,652
Miscellaneous	<u>312,551</u>
Total Operating revenues	<u>6,048,203</u>
Operating expenses:	
Administrative	<u>5,096,465</u>
Total Operating expenses	<u>5,096,465</u>
Operating income	<u>951,738</u>
Non-operating revenues:	
Interest revenue	<u>7,293</u>
Net Non-operating revenues	<u>7,293</u>
Change in net position	959,031
Net Position at beginning of year	<u>1,138,648</u>
Net Position at end of year	<u>\$ 2,097,679</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, 2020

	Internal Service Fund
Cash flows from operating activities:	
Cash received for services provided	\$ 6,048,203
Cash paid to suppliers	<u>(5,341,190)</u>
Net cash provided by operating activities	<u>707,013</u>
Cash flows from investing activities:	
Investment income	<u>7,293</u>
Net cash provided by investing activities	<u>7,293</u>
Net increase in cash and cash equivalents	714,306
Cash and cash equivalents at beginning of year	<u>1,629,492</u>
Cash and cash equivalents at end of year	<u>\$ 2,343,798</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 951,738
Changes in assets and liabilities:	
Accounts payable	<u>(244,725)</u>
Net cash provided by operating activities	<u>\$ 707,013</u>
Cash and cash equivalents at end of year consist of the following:	
Cash and cash equivalents	<u>\$ 2,343,798</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, 2020

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 891,648
Total Assets	<u>891,648</u>
LIABILITIES	
Accounts payable	14,777
Due to other governments	<u>779,048</u>
Total Liabilities	<u>793,825</u>
NET POSITION	
Restricted for:	
Individuals	<u>97,823</u>
Total Net Position	<u>\$ 97,823</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, 2020

	Custodial <u>Funds</u>
ADDITIONS:	
Investment earnings:	
Interest income	\$ 434
Total Investment earnings	<u>434</u>
Amounts collected for individuals	614,714
Fees collected for other governments	<u>6,758,237</u>
Total Additions	<u>7,373,385</u>
DEDUCTIONS:	
Benefits paid to beneficiaries	574,526
Payments of fees to other governments	<u>6,758,237</u>
Total Deductions	<u>7,332,763</u>
Change in net position	40,622
Net Position at beginning of year	<u>57,201</u>
Net Position at end of year	<u>\$ 97,823</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, 2020

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, 2020

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 *Maplewood Capital Projects Fund* is used to account for all financial resources in connection with the reconstruction of the Maplewood Nursing Home facilities.

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 proprietary 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 *Internal Service 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, 2020

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, 2020

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.

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.

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.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation 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	5-50
	Water system	30
	Wastewater system	15-30
	Vehicles and equipment	3-25

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.

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.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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 are available.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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.
- 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 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 12% of the annual total budgeted appropriations. The recommended target balance is to maintain an unassigned fund balance between 12% and 16% 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 16% of the total budgeted appropriations is unnecessary and may be appropriated by the Commissioners to offset property taxes as part of the budget approval process with the Delegation to set tax rates for the calendar year.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. 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, 2020 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 21,925,607
Investments	322,324
Statement of Fiduciary Net Position:	
Cash and cash equivalents	891,648
	<u>\$ 23,139,579</u>

Deposits and investments at December 31, 2020 consist of the following:

Cash on hand	\$ 2,285
Deposits with financial institutions	22,814,970
Investments	322,324
	<u>\$ 23,139,579</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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, 2020, the County's investment in the NHPDIP, a state investment pool, had a fair value balance of \$322,324 and was rated *AAAm*.

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. 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, \$22,945,725 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—DIRECT FINANCING LEASE RECEIVABLE

The County has entered into a direct financing lease agreement with the State of New Hampshire for a term of 20 years following construction of the Jaffrey District Court building. The semi-annual payments the County will receive are equal to the annual interest and principal payments due on the related bond. The State will occupy the District Court building and incur all direct costs associated with the building for the entire contract period. The County has agreed to sell the District Court building to the State for a purchase price of \$1 at the end of the lease term.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Future minimum lease payments to be received have been recognized in the governmental activities and are as follows:

Year Ending <u>December 31,</u> 2021	<u>Principal</u> \$ 130,000	<u>Interest</u> \$ 6,305	<u>Totals</u> \$ 136,305
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NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2020</u>
Capital assets not depreciated:				
Land	\$ 1,057,410	\$ 297,000		\$ 1,354,410
Construction in process	<u>24,932,924</u>	<u>64,415</u>	\$ (24,908,814)	<u>88,525</u>
Total capital assets not being depreciated	<u>25,990,334</u>	<u>361,415</u>	<u>(24,908,814)</u>	<u>1,442,935</u>
Other capital assets:				
Land improvements	732,808		(67)	732,741
Buildings and improvements	55,474,081	39,989,760	(174,456)	95,289,385
Water system	1,545,667			1,545,667
Wastewater system	909,453	11,767		921,220
Vehicles and equipment	<u>6,967,909</u>	<u>1,004,736</u>	<u>(768,081)</u>	<u>7,204,564</u>
Total other capital assets at historical cost	<u>65,629,918</u>	<u>41,006,263</u>	<u>(942,604)</u>	<u>105,693,577</u>
Less accumulated depreciation for:				
Land improvements	(505,227)	(19,268)	67	(524,428)
Buildings and improvements	(25,589,475)	(2,499,830)	163,919	(27,925,386)
Water system	(1,226,998)	(35,325)		(1,262,323)
Wastewater system	(597,756)	(65,477)		(663,233)
Vehicles and equipment	<u>(3,888,615)</u>	<u>(608,442)</u>	<u>744,989</u>	<u>(3,752,068)</u>
Total accumulated depreciation	<u>(31,808,071)</u>	<u>(3,228,342)</u>	<u>908,975</u>	<u>(34,127,438)</u>
Total other capital assets, net	<u>33,821,847</u>	<u>37,777,921</u>	<u>(33,629)</u>	<u>71,566,139</u>
Total capital assets, net	<u>\$ 59,812,181</u>	<u>\$ 38,139,336</u>	<u>\$ (24,942,443)</u>	<u>\$ 73,009,074</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 231,066
Public safety	1,730,109
Human services	115,715
Nursing home	<u>1,151,452</u>
Total	<u>\$ 3,228,342</u>

The balance of the assets acquired through capital leases as of December 31, 2020 is as follows:

Vehicles and equipment	\$ 46,910
Less accumulated depreciation for:	
Vehicles and equipment	<u>(7,818)</u>
Total	<u>\$ 39,092</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

NOTE 5—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, 2020 are as follows:

		Due from			
		General	Maplewood Capital Projects	Nonmajor Governmental	Totals
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Due to	General Fund		\$ 2,114	\$ 3,891	\$ 6,005
	Nonmajor Governmental Funds	\$ 3,644			3,644
		<u>\$ 3,644</u>	<u>\$ 2,114</u>	<u>\$ 3,891</u>	<u>\$ 9,649</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. The \$200,000 transferred from the Maplewood Capital Projects Fund to the General Fund represents interest earned on the bond proceeds. Transfers during the year ended December 31, 2020 are as follows:

		Transfer from			
		General	Maplewood Capital Projects	Nonmajor Governmental	Totals
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Transfer to	General Fund		\$ 200,000	\$ 17,116	\$ 217,116
	Maplewood Capital Projects Fund	\$ 270,071			270,071
		<u>\$ 270,071</u>	<u>\$ 200,000</u>	<u>\$ 17,116</u>	<u>\$ 487,187</u>

NOTE 6—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, 2020 are as follows:

Balance - January 1, 2020	\$ -
Additions	18,000,000
Reductions	<u>(18,000,000)</u>
Balance - December 31, 2020	<u>\$ -</u>

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

	Balance <u>1/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2020</u>	Due Within <u>One Year</u>
Bonds payable	\$ 42,440,000	\$ 6,415,000	\$ (3,530,000)	\$ 45,325,000	\$ 3,815,000
Unamortized bond premiums	4,243,676	457,690	(668,526)	4,032,840	
Total Bonds payable	46,683,676	6,872,690	(4,198,526)	49,357,840	3,815,000
Joint obligation payable		161,500		161,500	26,500
Capital lease payable		30,369		30,369	14,750
Compensated absences payable	683,767	251,409	(11,007)	924,169	
Total	<u>\$ 47,367,443</u>	<u>\$ 7,315,968</u>	<u>\$ (4,209,533)</u>	<u>\$ 50,473,878</u>	<u>\$ 3,856,250</u>

Payments on the general obligation bonds, joint obligation payable, and capital lease 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.

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, 2020 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/2020</u>
Direct Placements:				
2017 Series bond issue	\$ 31,040,000	3.0-5.0%	October 2037	\$ 26,375,000
2015 Refunding bond issue	17,425,000	3.0-5.0%	October 2027	12,180,000
2020 Series bond issue	6,415,000	2.5-4.0%	January 2040	6,415,000
2001 Series bond issue	2,600,000	3.875-4.85%	August 2024	200,000
2009 Series bond issue	1,300,000	2.0-4.0%	October 2021	130,000
2001 Series bond issue	500,000	3.875-4.85%	October 2021	25,000
	<u>\$ 59,280,000</u>			45,325,000
		<i>Add: Unamortized bond premiums</i>		4,032,840
				<u>\$ 49,357,840</u>

Debt service requirements to retire general obligation bonds for governmental activities at December 31, 2020 are as follows:

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Year Ending December 31,	Direct Placements		
	Principal	Interest	Totals
2021	\$ 3,815,000	\$ 1,850,843	\$ 5,665,843
2022	3,665,000	1,664,200	5,329,200
2023	3,675,000	1,484,700	5,159,700
2024	3,675,000	1,304,800	4,979,800
2025	3,635,000	1,124,750	4,759,750
2026-2030	12,810,000	3,519,400	16,329,400
2031-2035	9,350,000	1,443,500	10,793,500
2036-2040	4,700,000	238,700	4,938,700
	<u>45,325,000</u>	<u>12,630,893</u>	<u>57,955,893</u>
<i>Add: Unamortized bond premiums</i>	4,032,840	-	4,032,840
	<u>\$ 49,357,840</u>	<u>\$ 12,630,893</u>	<u>\$ 61,988,733</u>

Joint Obligation Payable

The joint obligation payable at December 31, 2020 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%.

\$ 161,500

Debt service requirements to retire the joint obligation payable for governmental activities at December 31, 2020 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2021	\$ 26,500	\$ 2,317	\$ 28,817
2022	15,000	1,836	16,836
2023	15,000	1,632	16,632
2024	15,000	1,428	16,428
2025	15,000	1,224	16,224
2026-2030	75,000	3,060	78,060
	<u>\$ 161,500</u>	<u>\$ 11,497</u>	<u>\$ 172,997</u>

Capital Leases Payable

Capital leases payable represent lease agreements entered into for the financing of equipment acquisitions. 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 capital lease payable outstanding at December 31, 2020:

Vehicle, due in annual installments of \$16,541, including
interest at 5.898%, through November 2022

\$ 30,369

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2020 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2021	\$ 14,750	\$ 1,791	\$ 16,541
2022	15,619	922	16,541
	<u>\$ 30,369</u>	<u>\$ 2,713</u>	<u>\$ 33,082</u>

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

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

	Deferred Outflows	OPEB Liability	Deferred Inflows	OPEB Expense
Cost-Sharing Multiple Employer Plan	\$ 62,646	\$ 1,021,398	\$ 24,277	\$ 68,875
Single Employer Plan	740,546	2,282,041	574,993	203,724
Total	<u>\$ 803,192</u>	<u>\$ 3,303,439</u>	<u>\$ 599,270</u>	<u>\$ 272,599</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$203,922.

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

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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 3.66% and 0.29%, respectively. Contributions to the OPEB plan for the County were \$106,980 for the year ended December 31, 2020. Employees are not required to contribute to the OPEB plan.

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

At December 31, 2020, the County reported a liability of \$1,021,398 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the County’s proportion was approximately 0.2334 percent, which was a decrease of 0.0391 percentage points from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the County recognized OPEB expense of \$68,875. At December 31, 2020, 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>
Differences between expected and actual experience		\$ 2,960
Net difference between projected and actual earnings on OPEB plan investments	\$ 3,822	
Changes of assumptions	6,567	
Changes in proportion and differences between County contributions and proportionate share of contributions		21,317
County contributions subsequent to the measurement date	<u>52,257</u>	
Totals	<u>\$ 62,646</u>	<u>\$ 24,277</u>

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

The County reported \$52,257 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, 2021. 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>	
2021	\$ (17,420)
2022	1,131
2023	1,349
2024	<u>1,052</u>
	<u>\$ (13,888)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for teachers)
Salary increases	5.60%, 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 group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 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 following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

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.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	<u>10%</u>	2.95%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine this single 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 (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB liability	\$ 1,109,132	\$ 1,021,398	\$ 945,228

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

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>276</u>
	<u>278</u>

Total OPEB Liability

The County’s total OPEB liability of \$2,282,041 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the January 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.00%
Discount rate	2.12%
Healthcare cost trend rates	2.00%, increasing to 9.50% in 2021, then decreasing 0.50% per year to an ultimate rate of 5.00% for 2030 and later years

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, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).

The following assumptions were changed in the current year:

- Reduced the discount rate from 4.10% to 2.12%
- Reduced the initial healthcare cost trend rate from 9.50% with an ultimate rate of 5.00% for 2028 and later years to an initial rate of 2.00% with an ultimate rate of 5.00% for 2030 and later years
- Updated mortality tables from SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006) to SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006)

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balance at January 1, 2020	\$ 1,821,864
Changes for the year:	
Service cost	131,172
Interest	44,990
Differences between expected and actual experience	(466,012)
Changes in assumptions or other inputs	782,655
Benefit payments	<u>(32,628)</u>
Net changes	<u>460,177</u>
Balance at December 31, 2020	<u>\$ 2,282,041</u>

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

The following presents the total OPEB liability of the County, 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:

	1% Decrease	Current Discount Rate	1% Increase
	<u>(1.12%)</u>	<u>(2.12%)</u>	<u>(3.12%)</u>
Total OPEB liability	\$ 2,524,426	\$ 2,282,041	\$ 2,057,721

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

The following presents the total OPEB liability of the County, 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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	(1.00% increasing <u>to 4.00%</u>)	(2.00% increasing <u>to 5.00%</u>)	(3.00% increasing <u>to 6.00%</u>)
Total OPEB liability	\$ 1,965,564	\$ 2,282,041	\$ 2,657,879

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$203,724. At December 31, 2020, 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, 2020

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 505,157
Changes of assumptions	<u>\$ 740,546</u>	<u>69,836</u>
Totals	<u>\$ 740,546</u>	<u>\$ 574,993</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>	
2021	\$ 27,563
2022	27,563
2023	27,563
2024	27,563
2025	38,793
Thereafter	<u>16,508</u>
	<u>\$ 165,553</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, 2020

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:

Years of Creditable Service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>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%

Changes in Benefits

Ch 340 laws of 2019 (HB 616) grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

Funding Policy

Covered police officers 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 police officers and general employees were 24.77% and 10.88%, respectively, for the year ended December 31, 2020. The County contributes 100% of the employer cost for police officers 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, 2020 were \$1,923,784.

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

At December 31, 2020, the County reported a liability of \$27,177,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the County's proportion was approximately 0.4249 percent, which was a decrease of 0.0153 percentage points from its proportion measured as of June 30, 2019.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

For the year ended December 31, 2020, the County recognized pension expense of \$3,347,272. At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 733,918	\$ 291,806
Changes of assumptions	2,688,370	
Net difference between projected and actual earnings on pension plan investments	1,680,943	
Changes in proportion and differences between County contributions and proportionate share of contributions	4,971	1,588,380
County contributions subsequent to the measurement date	<u>961,021</u>	
Total	<u>\$ 6,069,223</u>	<u>\$ 1,880,186</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 \$4,189,037. The County reported \$961,021 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, 2021. 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>	
2021	\$ 236,527
2022	686,355
2023	1,183,556
2024	<u>1,121,578</u>
	<u>\$ 3,228,016</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of investment expense, including inflation

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

The actuarial assumptions used in the June 30, 2019 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 following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)

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>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	10%	2.95%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability 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. 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.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
County's proportionate share of the net pension liability	\$ 35,183,485	\$ 27,177,256	\$ 20,635,106

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—OPERATING LEASE INCOME

The County currently leases the Keene Courthouse to the State of New Hampshire. 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%. The County recognized lease income of \$511,096 during the year ended December 31, 2020.

The County currently leases the Cheshire County District Court located in Jaffrey, New Hampshire to the State of New Hampshire (see Note 3). Rent is payable to the County in semi-annually installments through November 2021. The County recognized lease income of \$142,545 during the year ended December 31, 2020.

The County currently leases the Cheshire County Farm to two separate independent parties. Rent is payable to the County on a monthly basis. During June 2016, the County entered into a lease agreement with an independent party through October 1, 2021. The lease shall automatically renew for an additional three years with a 5% increase. During July 2016, the County entered into a lease agreement with another independent party and has been extended through December 31, 2021. The lease amount is subject to renegotiation every three years. The County recognized lease income of \$29,122 for the farm during the year ended December 31, 2020.

The minimum future rental payments to be received by the County for the above leases are as follows:

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Year Ending December 31,	
2021	\$ 772,679
2022	655,089
2023	673,856
2024	689,703
2025	683,564
2026-2028	<u>2,107,614</u>
	<u>\$ 5,582,505</u>

NOTE 12—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes as follows:

Donations	\$ 304,330
Deeds surcharge funds	96,136
Miscellaneous grant funds	<u>1,721</u>
	<u>\$ 402,187</u>

NOTE 13—COMPONENTS OF FUND BALANCE

The County’s fund balance components of the governmental funds at December 31, 2020 are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Maplewood Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenses	\$ 160,248			\$ 160,248
Restricted for:				
Nursing Home reconstruction project		\$ 2,862,227		2,862,227
Donations	74,076		\$ 230,254	304,330
Deeds surcharge			96,136	96,136
Miscellaneous grant funds			1,721	1,721
Committed for:				
Capital Reserves	998,534			998,534
Assigned for:				
Jail canteen			167,981	167,981
Sheriff civil processing			500	500
Encumbrances	58,708			58,708
Carryforward appropriations	658,316			658,316
Unassigned	<u>12,098,539</u>			<u>12,098,539</u>
	<u>\$ 14,048,421</u>	<u>\$ 2,862,227</u>	<u>\$ 496,592</u>	<u>\$ 17,407,240</u>

NOTE 14—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,

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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:

Year Ending December 31,	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Liability
2016	\$ 192,403	\$ 3,622,804	\$ (3,669,462)	\$ 145,745
2017	\$ 145,745	\$ 4,702,542	\$ (4,619,625)	\$ 228,662
2018	\$ 228,662	\$ 5,062,686	\$ (5,067,733)	\$ 223,615
2019	\$ 223,615	\$ 5,521,594	\$ (5,254,365)	\$ 490,844
2020	\$ 490,844	\$ 5,096,465	\$ (5,341,190)	\$ 246,119

NOTE 15—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, 2020, 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, 2020.

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 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.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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 16—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 17— SUBSEQUENT EVENT

Subsequent to year end, the Delegation authorized the County at the March 2021 meeting to enter into a long-term agreement for energy upgrades in an amount not to exceed \$4,741,964.

NOTE 18— IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which the County is required to implement in the year ending December 31, 2021. Management believes that this pronouncement will have an impact on the County's government-wide financial statements. The County will be required to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The County as a lessee is required to recognize a lease liability and an intangible right-to-use lease asset.

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 28,718,371	\$ 28,718,371	\$ 28,718,371	\$ -
Intergovernmental	6,098,096	11,607,881	11,527,098	(80,783)
Charges for services	14,030,672	14,587,542	13,294,433	(1,293,109)
Interest income	350,000	350,000	62,435	(287,565)
Miscellaneous	897,150	897,150	970,033	72,883
Total Revenues	<u>50,094,289</u>	<u>56,160,944</u>	<u>54,572,370</u>	<u>(1,588,574)</u>
Expenditures:				
Current:				
General government	6,430,354	7,633,568	6,459,978	1,173,590
Public safety	8,758,439	8,984,496	8,231,369	753,127
Human services	12,306,774	12,750,098	11,339,997	1,410,101
Conservation	65,843	65,843	65,243	600
Nursing home	18,569,197	20,189,805	19,664,747	525,058
Capital outlay	7,626,244	7,208,928	7,123,463	85,465
Debt service:				
Principal retirement	3,560,000	3,560,000	3,530,000	30,000
Interest and fiscal charges	2,171,422	2,171,422	2,087,558	83,864
Total Expenditures	<u>59,488,273</u>	<u>62,564,160</u>	<u>58,502,355</u>	<u>4,061,805</u>
Excess revenues over (under) expenditures	<u>(9,393,984)</u>	<u>(6,403,216)</u>	<u>(3,929,985)</u>	<u>2,473,231</u>
Other financing sources (uses):				
Proceeds from bond issuances	6,950,000	6,950,000	6,415,000	(535,000)
Proceeds from bond premium			457,690	457,690
Transfers in	164,088	164,088	244,924	80,836
Transfers out	<u>(180,000)</u>	<u>(822,071)</u>	<u>(822,071)</u>	<u>-</u>
Total Other financing sources (uses)	<u>6,934,088</u>	<u>6,292,017</u>	<u>6,295,543</u>	<u>3,526</u>
Net change in fund balance	(2,459,896)	(111,199)	2,365,558	2,476,757
Fund Balance at beginning of year				
- Budgetary Basis	<u>10,551,545</u>	<u>10,551,545</u>	<u>10,551,545</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 8,091,649</u>	<u>\$ 10,440,346</u>	<u>\$ 12,917,103</u>	<u>\$ 2,476,757</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, 2020

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, 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%

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, 2020	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 information

SCHEDULE 3
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of County OPEB Contributions
For the Year Ended December 31, 2020

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, 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%

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, 2020

Single Employer Plan Information Only			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 131,172	\$ 119,362	\$ 127,528
Interest	44,990	67,576	55,307
Changes of assumptions or other inputs	782,655		(116,393)
Differences between expected and actual experience	(466,012)		
Benefit payments	<u>(32,628)</u>	<u>(26,533)</u>	<u>(25,488)</u>
Net change in total OPEB liability	460,177	160,405	40,954
Total OPEB liability at beginning of year	<u>1,821,864</u>	<u>1,661,459</u>	<u>1,620,505</u>
Total OPEB liability at end of year	<u>\$ 2,282,041</u>	<u>\$ 1,821,864</u>	<u>\$ 1,661,459</u>
Covered employee payroll	\$ 12,740,536	\$ 11,883,534	\$11,650,524
Total OPEB liability as a percentage of covered employee payroll	17.91%	15.33%	14.26%

Significant Actuarial Assumptions			
Discount rate	2.12%	4.10%	3.44%
Health cost trend rates:			
Initial	2.0% - 2020	9.5% - 2019	2.21% - 2018
Ultimate	5.0% - 2030	5.0% - 2028	5.0% - 2028
Mortality data set	SOA RP-2014	SOA RP-2014	SOA RP-2014
Mortality improvement scale	MP-2020	MP-2017	MP-2017

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, 2020

<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, 2020	0.42490015%	\$ 27,177,256	\$ 14,880,674	182.63%	58.71%
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%
June 30, 2013	0.48048526%	\$ 20,679,050	\$ 11,655,631	177.42%	59.81%

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, 2020	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, 2020

<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, 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%
December 31, 2013	\$ 1,397,108	\$ (1,397,108)	\$ -	\$ 11,944,974	11.70%

See accompanying notes to the required supplementary information

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2020

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balances – 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, capital lease issuance, non-budgetary revenues and expenditures, and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 61,720,328	\$ 58,797,150
Encumbrances - December 31, 2020		58,708
Encumbrances - December 31, 2019		(27,477)
Capital lease issuance	(30,369)	(30,369)
Non-budgetary revenues and expenditures	(27,783)	(25,586)
Budgetary transfers	27,808	552,000
Per Schedule 1	<u>\$ 61,689,984</u>	<u>\$ 59,324,426</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2020 are as follows:

Nonspendable:	
Prepaid expenses	\$ 160,248
Assigned for:	
Carryforward appropriations	658,316
Unassigned	<u>12,098,539</u>
	<u>\$ 12,917,103</u>

NOTE 3—SCHEDULE OF CHANGES IN THE COUNTY’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF COUNTY OPEB CONTRIBUTIONS

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County is required to disclose historical information for each of the prior ten years within a schedule of changes in the County’s proportionate share of the net OPEB liability and schedule of County OPEB contributions. The County implemented the provisions of GASB Statement No. 75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

COUNTY OF CHESHIRE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

For the Year Ended December 31, 2020

NOTE 4—SCHEDULE OF CHANGES IN THE COUNTY’S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County is required to disclose historical information for each of the prior ten years within a schedule of changes in the County’s total OPEB liability and related ratios. The County implemented the provisions of GASB Statement No. 75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

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

NOTE 5—SCHEDULE OF CHANGES IN THE COUNTY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF COUNTY PENSION CONTRIBUTIONS

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County is required to disclose historical information for each of the prior ten years within a schedule of changes in the County’s proportionate share of the net pension liability and schedule of County pension contributions. The County implemented the provisions of GASB Statement No. 68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE I
COUNTY OF CHESHIRE, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Pass Through Payments from Community Development Finance Authority</i>			
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228		
#18-403-CDHS		\$ 209,743	
#19-403-CDED		13,366	
#19-403-CDHS		2,836	
#19-403-CDMC1-3		248,868	
#20-403-CDHS		11,961	
#20-403-CDMC1-3		174,870	
		<u>661,644</u>	<u>\$ 592,500</u>
Total Department of Housing and Urban Development		<u>661,644</u>	<u>592,500</u>
DEPARTMENT OF JUSTICE			
<i>Received Directly From U.S. Treasury Department</i>			
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034		
#2020-VD-BX-1109		44,617	-
<i>Pass Through Payments from the New Hampshire Department of Justice</i>			
Crime Victim Assistance	16.575		
#2017-VA-GX-0044		20,190	
#2018-V2-GX-0036		25,561	
		<u>45,751</u>	<u>-</u>
Violence Against Women Formula Grants	16.588		
#2019-WF-AX-0015		30,000	-
<i>Received Directly From U.S. Treasury Department</i>			
Bulletproof Vest Partnership Program	16.607		
#2018BUBX18095019		470	
#2019BUBX19098668		825	
#2020BUBX20021490		2,102	
		<u>3,397</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
#2019-DJ-BX-0091		9,127	
#2020-DJ-BX-0106		3,213	
		<u>12,340</u>	<u>6,238</u>
Total Department of Justice		<u>136,105</u>	<u>6,238</u>

See 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, 2020

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
DEPARTMENT OF TRANSPORTATION			
<i>Pass Through Payments from the New Hampshire Department of Transportation</i>			
Transit Services Programs Cluster:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		
#DOT 5310		149,957	
Total Transit Services Programs Cluster		<u>149,957</u>	<u>142,816</u>
Total Department of Transportation		<u>149,957</u>	<u>142,816</u>
DEPARTMENT OF THE TREASURY			
<i>Pass Through Payments from the State of New Hampshire Governor's Office</i>			
COVID-19 Coronavirus Relief Fund	21.019	2,251,241	-
<i>Pass Through Payments from the New Hampshire Department of Health and Human Services</i>			
COVID-19 Coronavirus Relief Fund	21.019	141,200	-
<i>Pass Through Payments from Health Strategies of NH</i>			
COVID-19 Coronavirus Relief Fund	21.019	50,000	45,455
		2,442,441	45,455
Total Department of the Treasury		<u>2,442,441</u>	<u>45,455</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Pass Through Payments from the Town of New Ipswich, New Hampshire</i>			
Medical Reserve Corps Small Grant Program	93.008		
#1MRCSG101005-01		917	-
<i>Pass Through Payments from the National Association of County and City Health Officials</i>			
Medical Reserve Corps Small Grant Program	93.008		
#MRC JSI 14-1587		809	
		<u>1,726</u>	<u>1,568</u>
<i>Pass Through Payments from the New Hampshire Department of Health and Human Services</i>			
Public Health Emergency Preparedness	93.069		
#U90TP922018		59,154	53,876
Environmental Public Health and Emergency Response	93.070		
#UE1EH001332		27,027	6,209

See 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, 2020

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)			
<i>Received Directly From U.S. Treasury Department</i>			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104		
#1H79SM063408		911,205	
#1H79SM082959		145,210	
		<u>1,056,415</u>	<u>-</u>
<i>Pass Through Payments from the New Hampshire Department of Health and Human Services</i>			
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		
#NUE2EH01408		9,436	8,594
		<u>9,436</u>	<u>8,594</u>
<i>Received Directly From U.S. Treasury Department</i>			
COVID-19 Provider Relief Fund	93.498	458,900	-
		<u>458,900</u>	<u>-</u>
<i>Pass Through Payments from the New Hampshire Department of Health and Human Services</i>			
National Bioterrorism Hospital Preparedness Program	93.889		
#U3REP190580		5,976	5,443
		<u>5,976</u>	<u>5,443</u>
<i>Received Directly From U.S. Treasury Department</i>			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912		
#G25RH32929		69,075	15,496
		<u>69,075</u>	<u>15,496</u>
<i>Pass Through Payments from the New Hampshire Bureau of Drug and Alcohol Services</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		
#T1010035		97,687	88,970
		<u>97,687</u>	<u>88,970</u>
Preventive Health and Health Services Block Grant	93.991		
#B01OT009205		10,153	9,247
		<u>10,153</u>	<u>9,247</u>
Total Department of Health and Human Services		<u>1,795,549</u>	<u>189,403</u>
DEPARTMENT OF HOMELAND SECURITY			
<i>Pass Through Payments from the New Hampshire Department of Safety</i>			
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
#FEMA-DR-4516-NH		8,590	-
		<u>8,590</u>	<u>-</u>
Emergency Management Performance Grants	97.042		
#EMB-2019-EP-00003-S01		17,285	-
		<u>17,285</u>	<u>-</u>

See 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, 2020

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
DEPARTMENT OF HOMELAND SECURITY (CONTINUED)			
<i>Pass Through Payments from the New Hampshire Department of Safety</i>			
Homeland Security Grant Program #EMW-2018-SS-00055	97.067	<u>1,311</u>	<u>-</u>
Total Department of Homeland Security		<u>27,186</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 5,212,882</u>	<u>\$ 976,412</u>

See 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, 2020

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, 2020. 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, 2020, the County recognized total revenue of \$458,900 from the Provider Relief Fund (CFDA #93.498). Of this amount, \$420,200 is based on lost revenue at the County’s nursing home facility. The amount reported on the Schedule of Expenditures of Federal Awards is based upon the December 31, 2020 Provider Relief Fund report that will be submitted to the United States Department of Health and Human Services once the reporting portal is available.

**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, 2020, 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 May 6, 2021.

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 may exist that have not been identified.

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
May 6, 2021

**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

We have audited the County of Cheshire, New Hampshire's compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Cheshire, New Hampshire's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Cheshire, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Cheshire, New Hampshire's compliance.

Opinion on Each Major Federal Program

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, 2020.

Report on Internal Control Over Compliance

Management of the County of Cheshire, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Cheshire, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Cheshire, New Hampshire's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
May 6, 2021

**County of Cheshire, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020**

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:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund
93.498	COVID-19 Provider Relief Fund

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).