

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**

**Financial Statements**

**June 30, 2018**

**and**

**Independent Auditor's Report**

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**June 30, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the County Commissioners  
County of Hillsborough, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Hillsborough, New Hampshire, as of and for the year ended June 30, 2018, 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. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Hillsborough, New Hampshire, as of June 30, 2018, 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, the schedule of changes in the County's proportionate share of the net OPEB liability, the schedule of County contributions, the schedule of changes in the County's total OPEB liability and related ratios, the schedule of changes in the County's proportionate share of the net pension liability, and the schedule of County contributions, on pages i-vi and 34-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Vaelen Clukey & Company PC*

Manchester, New Hampshire  
January 3, 2019

**Hillsborough County  
Financial Management's Discussion and Analysis  
For Year Ended June 30, 2018**

As the Financial Managers of Hillsborough County we offer the readers of this document the following narrative overview and analysis of the financial activities of Hillsborough County for the fiscal year ended June 30, 2018.

**REPORTING THE MOST SIGNIFICANT FUNDS OF THE COUNTY**

The Government Accounting Standards Board (GASB) has initiated standards for reporting municipal financial activities each year. The standard, GASB No. 34, requires a County to report the activity in its most significant funds. Those funds are determined by the application of a defined test to the County's activity.

Hillsborough County currently has two significant funds to be reported. They include the following:

***General Fund (Government Activities):*** The majority of County spending is reported as General Fund expenditures. These expenditures reflect the spending of all County departments except the Nursing Home. Expenses in this category include the expenditures of the Department of Corrections, Registry of Deeds, Sheriff's Office, County Attorney, Delegation, Cooperative Extension, Conservation District, and all Administrative Departments.

***Proprietary Fund (Business-type activities):*** The revenue and expenditures of the Hillsborough County Nursing Home are isolated in a special fund (Proprietary Fund) that has been established for this purpose. Since a significant amount of expense is reimbursed (in whole or in part) by federal and state agencies it is critical to isolate the financial activity at the Nursing Home in this special fund.

**FUND FINANCIAL STATEMENTS**

A fund is an accounting entity with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The County divides its funds into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds:** - Most basic services provided by the County are financed and accounted for through governmental funds. Governmental fund financial statements focus on current inflows and outflows of spendable resources as well as the available balances of these resources at the end of the fiscal year. This information is useful in determining the County's financing requirements for the subsequent fiscal period. Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is for the current period, it is useful to compare this information to the data presented in the government-wide financial statements so readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County currently has two individual governmental funds: General and the Registry of Deeds Equipment Replacement Fund. Of these, the General fund is the only one that is considered a major fund, and is presented in separate columns on the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

**Proprietary fund** – This fund is used to show activities that operate similar to private business enterprises. Because these funds charge fees for services provided, they are known as enterprise funds. Proprietary fund

financial statements use the economic resources measurement focus and the accrual basis of accounting, like the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside of Hillsborough County. The fiduciary funds are not reflected in the government-wide financial statements because the assets of these funds are not available to support the activities of the County. The economic resources management focus and accrual basis of accounting is used for fiduciary funds, the same as that used for the proprietary funds.

The County's only fiduciary fund is the agency fund for the inmate savings, correctional commissary funds, Nursing Home patient funds, Sheriff bond and escrow funds, and court-forfeited funds.

**Notes to the Financial Statements** – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the fund financial statements.

**Other Information** - Additional schedules can be found immediately following the notes to the financial statements. These include the combining statements for the nonmajor funds and a schedule of budget to actual comparisons.

### **STATEMENT OF NET POSITION**

The Statement of Net Position reports information about the County as a whole. This statement includes all of the assets of the County using the accrual basis of accounting, which is similar to the accounting method used by most private – sector companies. All current year revenue and expenditures are taken into account regardless of when the cash is received, or paid.

This report reflects the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources. This is one way to measure the financial health of the County. Over time, increases or decreases in the net position of the County are an indicator of whether the financial health of the County is improving or deteriorating. In the case of Hillsborough County the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,941,169 for fiscal year ended June 30, 2018. This figure represents an increase of \$10,572,579 over the fiscal year ended June 30, 2017.

A portion of the County's net position, (\$5,899,473), reflects its investments in capital assets, (e.g., land, buildings and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The statement following reflects the County's Net Position as of June 30, 2018.

**Hillsborough County  
Statement of Net Position  
June 30, 2018**

	2018	2017	2018	2017	2018 Total	2017 Total
	Governmental	Governmental	Business-Type	Business-Type	County	County
	Activities	Activities	Activities	Activities		
<b>Assets</b>						
Current Assets	\$ 21,599,848	\$ 20,002,894	\$ 39,755,996	\$ 29,330,132	\$ 61,355,844	\$ 49,333,026
Capital & Noncurrent Assets	<u>3,565,966</u>	<u>3,753,987</u>	<u>4,010,657</u>	<u>3,200,152</u>	<u>7,576,623</u>	<u>6,954,139</u>
Total Assets	\$ 25,165,814	\$ 23,756,881	\$ 43,766,653	\$ 32,530,284	\$ 68,932,467	\$ 56,287,165
Deferred Outflows of Resources	\$ 6,756,798	\$10,126,098	\$ 3,058,141	\$ 5,114,121	\$ 9,814,939	\$ 15,240,219
<b>Liabilities</b>						
Noncurrent Liabilities	\$ 39,857,662	\$ 42,243,987	\$ 18,255,614	\$ 21,301,930	\$ 58,113,276	\$ 63,545,917
Other Liabilities	<u>\$ 7,793,741</u>	<u>\$ 7,565,793</u>	<u>\$ 1,767,341</u>	<u>\$ 1,254,531</u>	<u>\$ 9,561,082</u>	<u>\$ 8,820,324</u>
Total Liabilities	\$ 47,651,403	\$ 49,809,780	\$ 20,022,955	\$ 22,556,461	\$ 67,674,358	\$ 72,366,241
Deferred Inflows of Resources	\$ 2,151,715	\$ 1,190,030	\$ 980,164	\$ 602,523	\$ 3,131,879	\$ 1,792,553
<b>Net Position</b>						
Invested in Capital Assets	\$ 3,565,966	\$ 3,753,987	\$ 2,333,507	\$ 2,194,632	\$ 5,899,473	\$ 5,948,619
Restricted	128,644	148,452			128,644	148,452
Unrestricted	<u>\$(21,575,116)</u>	<u>\$(21,019,270)</u>	<u>\$ 23,488,168</u>	<u>\$ 12,290,789</u>	<u>\$ 1,913,052</u>	<u>\$ (8,728,481)</u>
Total Net Position	\$(17,880,506)	\$(17,116,831)	\$ 25,821,675	\$ 14,485,421	\$ 7,941,169	\$ (2,631,410)
Total Liabilities and Net Position	<u>\$ 31,922,612</u>	<u>\$ 33,882,979</u>	<u>\$ 46,824,794</u>	<u>\$ 37,644,405</u>	<u>\$ 78,747,406</u>	<u>\$ 71,527,384</u>

**CHANGES IN NET POSITION**

**Total County Activities:**

During FY18, Hillsborough County generated \$103,437,165 in overall revenue. This was comprised of \$62,442,011 in general revenue and \$40,995,154 in revenue from business-type activities. Departmental expenditures for the fiscal year were \$92,864,586.

**Governmental Activities:**

Charges for services accounted for \$6,886,641 or 11.03 percent of the \$62,442,011 in governmental activities revenue and were primarily generated from the Registry of Deeds office, Sheriff's Department and the Department of Corrections. In addition, there was \$510,257 in operating grants, \$308,962 in interest income, \$436,769 in rental income and \$185,721 in miscellaneous income.

The cost of governmental activities for the fiscal year ended June 30, 2018 was \$65,988,507. Programs that were funded included General Government, Public Safety, Corrections, County Attorney, Registry of Deeds, Cooperative Extension and all administrative departments.

General government accounted for \$9,105,105 or 13.80 percent of overall expenditures of the County, which include expenditures of all the administrative departments and the Office of the County Attorney.

The Human Services Department represented expenditures of \$33,548,226 that were used to fund Interim Nursing Care.

The Sheriff's Office expended \$5,598,889 during the year to perform all of the statutory duties required of that office. These expenditures were offset by charges for services that amounted to \$1,871,160.

Expenditures in support of the operation of the Department of Corrections during the fiscal year equaled \$17,608,662. Offsetting revenue generated from services equaled \$941,923.

Budgeted invested fund earnings estimates were increased to reflect expectations from the current interest rate environment. The total amount generated equaled \$308,962 as compared to the budget amount of \$100,000.

#### Business-type Activities:

The Hillsborough County Nursing Home functions as a business-type activity (Proprietary Fund). Revenue is generated through the care of residents. Total revenue received by the Nursing Home in FY18 was \$40,995,154 and overall expenditures amounted to \$26,876,079. The Nursing Home's net position at fiscal year-end was \$25,821,675.

Charges for services increased at the Nursing Home by \$1,225,992 over the fiscal year that ended on June 30, 2017. Overall operating expenditures for the Nursing Home increased by \$555,563 over the prior fiscal year.

#### Hillsborough County Changes in Net Position Actual Revenue and Expenditures June 30, 2018

	2018 Governmental Activities	2017 Governmental Activities	2018 Business-Type Activities	2017 Business-Type Activities	2018 Total Government	2017 Total Government
<b>Revenues</b>						
<b>Program Revenue:</b>						
Charges for Services	\$ 6,886,641	\$ 7,081,970	\$ 23,951,141	\$ 22,725,149	\$ 30,837,782	\$ 29,807,119
Operating Grants	510,257	1,502,597	16,057,242	7,526,943	16,567,499	9,029,540
Capital Grants						
<b>General Revenues:</b>						
County Taxes	54,113,661	53,086,847	-	-	54,113,661	53,086,847
Interest and Invested Funds	308,962	94,802	8,343	2,130	317,305	96,932
Rental Income	436,769	427,852	-	-	436,769	427,852
Miscellaneous	185,721	267,098	978,428	792,088	1,164,149	1,059,186
<b>Total Revenue</b>	<b>\$ 62,442,011</b>	<b>\$ 62,461,166</b>	<b>\$ 40,995,154</b>	<b>\$ 31,046,310</b>	<b>\$103,437,165</b>	<b>\$ 93,507,476</b>
<b>Program Expenditures:</b>						
General Government	\$ 2,924,987	\$ 3,312,233	-	-	\$ 2,924,987	\$ 3,312,233
Sheriff	5,598,889	5,546,425	-	-	5,598,889	5,546,425
Corrections	17,608,662	17,190,608	-	-	17,608,662	17,190,608
Nursing Home			\$ 26,876,079	\$ 26,320,516	26,876,079	26,320,516
County Attorney	4,322,070	4,277,154	-	-	4,322,070	4,277,154
Medical Referee	127,625	100,071	-	-	127,625	100,071
Registry of Deeds	1,470,901	1,533,738	-	-	1,470,901	1,533,738



Human Services	33,548,226	32,526,685	-	-	33,548,226	32,526,685
Cooperative Extension	387,147	439,864	-	-	387,147	439,864
Intergovernmental	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 65,988,507</b>	<b>\$ 64,926,778</b>	<b>\$ 26,876,079</b>	<b>\$ 26,320,516</b>	<b>\$ 92,864,586</b>	<b>\$ 91,247,294</b>
<b>Transfers</b>	<b>2,782,821</b>	<b>2,579,757</b>	<b>( 2,782,821)</b>	<b>( 2,579,757)</b>		
<b>Change in net position</b>	<b>(763,675)</b>	<b>114,145</b>	<b>11,336,254</b>	<b>2,146,037</b>	<b>10,572,579</b>	<b>2,260,182</b>
<b>Net assets 6/30/17 as restated</b>	<b>(17,116,831)</b>	<b>(13,653,019)</b>	<b>14,485,421</b>	<b>14,221,586</b>	<b>(2,631,410)</b>	<b>568,567</b>
<b>Implementation of GASB 75</b>		<b>(3,577,957)</b>		<b>(1,882,202)</b>	<b>-</b>	<b>(5,460,159)</b>
<b>Net assets 6/30/18</b>	<b>\$ (17,880,506)</b>	<b>\$ (17,116,831)</b>	<b>\$ 25,821,675</b>	<b>\$ 14,485,421</b>	<b>\$ 7,941,169</b>	<b>\$ (2,631,410)</b>

### COUNTY FINANCIAL ANALYSIS

#### **Governmental Funds:**

For the fiscal year ended June 30, 2018, the County reported a combined ending fund balance of \$13,806,107, which is an increase of \$1,369,006 from fiscal year 2017.

The General Fund is the primary operating fund for Hillsborough County. At the end of the fiscal year, the General Fund Balance was \$13,779,507. The General Fund Balance for the County increased by \$1,391,396 during the current fiscal year.

One measure of financial strength is the level of cash reserves (unassigned fund balance) that is maintained by the County. Hillsborough County has maintained an unassigned fund balance that has allowed the County to manage cash flow during the year and for the sixteenth year in a row eliminate the need to borrow in anticipation of taxes. This has saved the County thousands of dollars each year in interest expense.

Fund balance amounts totaling \$1,730,701 have been dedicated to the General Fund. The majority of this is reported as assigned and has been assigned for encumbrances.

The Unassigned Fund balance of \$12,048,806, as indicated, is unassigned. This balance may serve as a useful measure of the County's available resources.

The County's other Governmental Fund consists of the Registry of Deeds Equipment Replacement Fund. This fund was established to continue to provide services to the residents of Hillsborough County. The Registry of Deeds Equipment Replacement Fund designates a portion of the revenue collected by that department to be used to defray the costs associated with replacing equipment. The other Governmental fund balance as of June 30, 2018 consists of the Registry of Deeds Equipment Replacement fund balance of \$26,600.

**Expenditures:** Budgetary expenditures for the year were \$63,203,809, which was \$2,855,027 less than the budget of \$66,058,836. All departments across the county contributed to this under spending and returned money at the end of the fiscal year.

**Revenue:** Variances between actual revenue and budgeted revenue for fiscal year 2018 reflect a net positive variance of \$45,876.

**Proprietary Funds:** The County's proprietary funds provide the same type of information found in the government-wide financial statements. Please refer to the business-type activities section listed previously for discussion on the activity in the proprietary funds.

**Capital Assets -** The County's investments in capital assets for its governmental activities amounted to \$3,565,966 (net of accumulated depreciation). In addition, the County's investments in business-type activities amounted to \$2,333,507 (net of accumulated depreciation). The following statement provides additional detail.

**Hillsborough County  
Capital Assets  
(Net of Depreciation)**

	2018	2017	2018	2017	2018 Total	2017 Total
	Governmental	Governmental	Business-Type	Business-Type	County	County
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>		
Land Improvements	\$ 15,683	\$ 12,791	\$ 52,510	\$ 55,638	\$ 68,191	\$ 68,429
Buildings and Improvements	1,917,126	2,616,334	624,655	602,102	2,541,781	3,218,436
Equipment	1,183,527	1,064,702	1,656,342	1,536,892	2,839,871	2,601,594
Construction in Progress	449,630	60,160			449,630	60,160
	<u>\$ 3,565,966</u>	<u>\$ 3,753,987</u>	<u>\$ 2,333,507</u>	<u>\$ 2,194,632</u>	<u>\$ 5,899,473</u>	<u>\$ 5,948,619</u>

Additional information on the County's capital assets can be found in Note 3 of the Notes to Basic Financial Statements.

**In Summary:** Hillsborough County has continued to practice sound fiscal management in FY18. As a result the County continued to maintain available surplus at a level that allowed fiscal managers to insulate the County Taxpayers from fluctuation in the economy. The available surplus and the elimination of debt have allowed the County to maintain a bond rating of AA, to avoid unnecessary borrowing, and to minimize fluctuations in the tax rate.

Our Fiscal-Year 2019 operating budget reflects an increase of 3.5 percent over the Fiscal-Year 2018 operating budget.

**CONTACTING THE FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of Hillsborough County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Chad D. Monier, County Administrator, Hillsborough County, 329 Mast Road, Goffstown, NH 03045, telephone (603) 627-5602, or visit the County's website at [www.hcnh.org](http://www.hcnh.org).

EXHIBIT A  
COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE  
Statement of Net Position  
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 51,997,895	\$ 83,923	\$ 52,081,818
Investments	5,034,616		5,034,616
Accounts receivable, net	241,335	2,217,647	2,458,982
Due from other governments	547,692	1,169,289	1,716,981
Internal balance	(36,225,059)	36,225,059	-
Prepaid expenses	3,369		3,369
Inventory		60,078	60,078
Total Current Assets	<u>21,599,848</u>	<u>39,755,996</u>	<u>61,355,844</u>
Noncurrent Assets:			
Restricted cash		1,677,150	1,677,150
Capital assets:			
Non-depreciable capital assets	449,630		449,630
Depreciable capital assets, net	3,116,336	2,333,507	5,449,843
Total Noncurrent Assets	<u>3,565,966</u>	<u>4,010,657</u>	<u>7,576,623</u>
Total Assets	<u>25,165,814</u>	<u>43,766,653</u>	<u>68,932,467</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB liability	257,864	116,710	374,574
Deferred outflows related to net pension liability	6,498,934	2,941,431	9,440,365
Total Deferred Outflows of Resources	<u>6,756,798</u>	<u>3,058,141</u>	<u>9,814,939</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	264,704	157,697	422,401
Accrued expenses	432,356	462,631	894,987
Due to other governments	7,096,681	1,063,090	8,159,771
Unearned contributions		83,923	83,923
Total Current Liabilities	<u>7,793,741</u>	<u>1,767,341</u>	<u>9,561,082</u>
Noncurrent Liabilities:			
Other post-employment benefits obligation	5,950,559	2,909,188	8,859,747
Net pension liability	33,907,103	15,346,426	49,253,529
Total Noncurrent Liabilities	<u>39,857,662</u>	<u>18,255,614</u>	<u>58,113,276</u>
Total Liabilities	<u>47,651,403</u>	<u>20,022,955</u>	<u>67,674,358</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to OPEB liability	134,443	67,142	201,585
Deferred inflows related to net pension liability	2,017,272	913,022	2,930,294
Total Deferred Inflows of Resources	<u>2,151,715</u>	<u>980,164</u>	<u>3,131,879</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,565,966	2,333,507	5,899,473
Restricted	128,644		128,644
Unrestricted (Deficit)	<u>(21,575,116)</u>	<u>23,488,168</u>	<u>1,913,052</u>
Total Net Position	<u>\$ (17,880,506)</u>	<u>\$ 25,821,675</u>	<u>\$ 7,941,169</u>

See accompanying notes to the basic financial statements

EXHIBIT B  
COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE  
Statement of Activities  
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
General government	\$ 9,105,105	\$ 4,073,557		\$ (5,031,548)		\$ (5,031,548)
Public safety	23,335,176	2,813,084	\$ 61,124	(20,460,968)		(20,460,968)
Health and welfare	33,548,226	-	449,133	(33,099,093)		(33,099,093)
Total governmental activities	<u>65,988,507</u>	<u>6,886,641</u>	<u>510,257</u>	<u>(58,591,609)</u>	<u>\$ -</u>	<u>(58,591,609)</u>
Business-type activities:						
Nursing Home	<u>26,876,079</u>	<u>23,951,141</u>	<u>16,057,242</u>		<u>13,132,304</u>	<u>13,132,304</u>
Total business-type activities	<u>26,876,079</u>	<u>23,951,141</u>	<u>16,057,242</u>		<u>13,132,304</u>	<u>13,132,304</u>
Total primary government	<u>\$ 92,864,586</u>	<u>\$ 30,837,782</u>	<u>\$ 16,567,499</u>	<u>(58,591,609)</u>	<u>13,132,304</u>	<u>(45,459,305)</u>
General revenues:						
Property taxes				54,113,661		54,113,661
Interest and investment earnings				308,962	8,343	317,305
Miscellaneous				622,490	978,428	1,600,918
Transfers				<u>2,782,821</u>	<u>(2,782,821)</u>	-
Total general revenues and transfers				<u>57,827,934</u>	<u>(1,796,050)</u>	<u>56,031,884</u>
Change in net position				(763,675)	11,336,254	10,572,579
Net position (deficit) at beginning of year, as restated				<u>(17,116,831)</u>	<u>14,485,421</u>	<u>(2,631,410)</u>
Net position (deficit) at end of year				<u>\$ (17,880,506)</u>	<u>\$ 25,821,675</u>	<u>\$ 7,941,169</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2018

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 51,971,295	\$ 26,600	\$ 51,997,895
Investments	5,034,616		5,034,616
Accounts receivable	241,335		241,335
Due from other governments	547,692		547,692
Prepaid expenses	3,369		3,369
Total Assets	<u>57,798,307</u>	<u>26,600</u>	<u>57,824,907</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 57,798,307</u>	<u>\$ 26,600</u>	<u>\$ 57,824,907</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 254,704		\$ 254,704
Accrued expenses	432,356		432,356
Due to other governments	7,096,681		7,096,681
Due to other funds	36,235,059		36,235,059
Total Liabilities	<u>44,018,800</u>	<u>\$ -</u>	<u>44,018,800</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	3,369		3,369
Restricted	128,644		128,644
Assigned	1,598,688	26,600	1,625,288
Unassigned	12,048,806		12,048,806
Total Fund Balances	<u>13,779,507</u>	<u>26,600</u>	<u>13,806,107</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 57,798,307</u>	<u>\$ 26,600</u>	<u>\$ 57,824,907</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C-1  
COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 13,806,107
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	3,565,966
Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	257,864
Deferred outflows of resources related to net pension liability	6,498,934
Deferred inflows of resources related to OPEB liability	(134,443)
Deferred inflows of resources related to net pension liability	(2,017,272)
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:	
Other post-employment benefits obligation	(5,950,559)
Net pension liability	(33,907,103)
Net Position of Governmental Activities (Exhibit A)	<u>\$ (17,880,506)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 54,113,661		\$ 54,113,661
Intergovernmental	510,257		510,257
Charges for services	6,769,438	\$ 117,203	6,886,641
Interest and investment income	308,555	407	308,962
Miscellaneous	622,490		622,490
Total Revenues	<u>62,324,401</u>	<u>117,610</u>	<u>62,442,011</u>
Expenditures:			
Current operations:			
General government	8,326,786	238,500	8,565,286
Public safety	21,742,314		21,742,314
Health and welfare	33,548,226		33,548,226
Total Expenditures	<u>63,617,326</u>	<u>238,500</u>	<u>63,855,826</u>
Excess revenues (under) expenditures	<u>(1,292,925)</u>	<u>(120,890)</u>	<u>(1,413,815)</u>
Other Financing Sources (Uses):			
Transfers in	2,782,821	98,500	2,881,321
Transfers out	(98,500)		(98,500)
Total Other Financing Sources (Uses)	<u>2,684,321</u>	<u>98,500</u>	<u>2,782,821</u>
Net change in fund balances	1,391,396	(22,390)	1,369,006
Fund balances at beginning of year	<u>12,388,111</u>	<u>48,990</u>	<u>12,437,101</u>
Fund balances at end of year	<u>\$ 13,779,507</u>	<u>\$ 26,600</u>	<u>\$ 13,806,107</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1  
**COUNTY OF HILLSBOROUGH, 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 June 30, 2018

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 1,369,006
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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 depreciation expense exceeded capital outlays in the current  
period.

(188,021)

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

(91,323)

Net changes in pension

(1,853,337)

Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (763,675)</u>
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EXHIBIT E  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2018

	Nursing Home Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 83,923
Accounts receivable, net	2,217,647
Due from other governments	1,169,289
Due from other funds	36,225,059
Inventory	60,078
Total Current Assets	<u>39,755,996</u>
Noncurrent Assets:	
Restricted cash	1,677,150
Capital assets:	
Depreciable capital assets, net	2,333,507
Total Noncurrent Assets	<u>4,010,657</u>
Total Assets	<u>43,766,653</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to OPEB liability	116,710
Deferred outflows related to net pension liability	2,941,431
Total Deferred Outflows of Resources	<u>3,058,141</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	157,697
Accrued expenses	462,631
Due to other governments	1,063,090
Unearned contributions	83,923
Total Current Liabilities	<u>1,767,341</u>
Noncurrent Liabilities:	
OPEB liability	2,909,188
Net pension liability	15,346,426
Total Noncurrent Liabilities	<u>18,255,614</u>
Total Liabilities	<u>20,022,955</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to OPEB liability	67,142
Deferred inflows related to net pension liability	913,022
Total Deferred Inflows of Resources	<u>980,164</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,333,507
Unrestricted	23,488,168
Total Net Position	<u>\$ 25,821,675</u>

*See accompanying notes to the basic financial statements*

EXHIBIT F  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Year Ended June 30, 2018

	Nursing Home <u>Fund</u>
Operating revenues:	
Intergovernmental revenue	\$ 16,057,242
Charges for services	23,951,141
Miscellaneous	978,428
Total operating revenues	<u>40,986,811</u>
Operating expenses:	
Administrative	3,938,384
Maintenance and operations	1,043,426
Physical therapy	1,884,633
Dietary	2,085,253
Nursing	14,676,859
Laundry	390,891
Housekeeping	738,004
Physician/pharmacy	667,246
Restorative services	676,968
Social services	379,951
Barber/beauty	44,260
Depreciation	350,204
Total operating expenses	<u>26,876,079</u>
Operating income	14,110,732
Non-operating revenues:	
Interest revenue	<u>8,343</u>
Net non-operating revenues	<u>8,343</u>
Transfers out	<u>(2,782,821)</u>
Change in net position	11,336,254
Total net position at beginning of year, as restated	<u>14,485,421</u>
Total net position at end of year	<u>\$ 25,821,675</u>

*See accompanying notes to the basic financial statements*

EXHIBIT G  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2018

	Nursing Home Fund
Cash flows from operating activities:	
Cash received from patient care/services	\$ 24,768,190
Cash received from Medicaid pool funds	16,007,749
Cash paid to suppliers	(10,757,095)
Cash paid to employees	(15,864,141)
Net cash provided by operating activities	<u>14,154,703</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	(2,782,821)
Net cash (used) for noncapital financing activities	<u>(2,782,821)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(489,079)
Net cash (used) for capital and related financing activities	<u>(489,079)</u>
Cash flows from investing activities:	
Interest on investments	8,343
Net cash provided by investing activities	<u>8,343</u>
Net increase in cash and cash equivalents	10,891,146
Cash and cash equivalents at beginning of year	27,094,986
Cash and cash equivalents at end of year	<u>\$ 37,986,132</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 14,110,732
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	350,204
Provision for bad debts	(100,000)
Change in deferred outflows	2,055,980
Change in deferred inflows	377,641
Changes in assets and liabilities:	
Accounts receivable	(61,379)
Due from other governments	(49,493)
Inventory	4,524
Accounts payable	(18,432)
Accrued expenses	30,223
Due to other governments	473,099
Unearned revenue	27,920
OPEB liability	(29,134)
Net pension liability	(3,017,182)
Net cash provided by operating activities	<u>\$ 14,154,703</u>

*See accompanying notes to the basic financial statements*

EXHIBIT H  
COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 389,555
Accounts receivable	<u>10,000</u>
Total Assets	<u>\$ 399,555</u>
LIABILITIES	
Due to specific individuals	\$ 399,555
Total Liabilities	<u>\$ 399,555</u>

*See accompanying notes to the basic financial statements*

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Hillsborough, 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 Hillsborough, New Hampshire (the County) was established in 1769 under the laws of the State of New Hampshire. The County boundaries include thirty-one New Hampshire municipalities located in southern 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 statement of net position presents the financial condition of the governmental and business-type 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 and business-type 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. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

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 fiscal 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the County's major governmental fund:

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.

**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 internal service funds. The following is the County's major proprietary fund:

The *Nursing Home Fund* accounts for all revenues and expenses pertaining to the County's Nursing Home facility operations. The Nursing Home Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The County maintains one type of fiduciary fund: agency funds. The County's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The County's agency funds account for inmate savings, correctional commissary funds, sheriff bond, escrow and court-forfeited funds, and Nursing Home patient funds.

***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.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**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 a reconciliation 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 these funds 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 total net position. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

***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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal 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 fiscal year end.

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 fiscal year for which the taxes are levied (see Note 9). Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal 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.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal 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. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

## **2. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

### ***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2018, the County applied \$1,000,000 of its unassigned fund balance to reduce taxes.

### ***Cash and Cash Equivalents***

The County pools its cash resources for the governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash, restricted cash, and the interfund receivable of the Nursing Home Fund.

### ***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***

Nursing Home Fund accounts receivable at June 30, 2018 are recorded net of an allowance for uncollectible receivables of \$150,000.



**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

***Inventory***

The County accounts for inventories under the consumption method on a first-in, first out basis. Inventories are recorded at cost.

***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 cost as of the date received. The County maintains a capitalization threshold of \$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. Interest incurred during the construction of capital assets of the business-type activities is also capitalized.

All reported capital assets except for land and construction in progress 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	5-20
Buildings and improvements	3-87
Equipment	3-20

***Compensated Absences***

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to County personnel policy and collective bargaining agreements, employees may not accumulate sick and vacation time beyond one year.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement.

The estimated value of accrued sick time for the Nursing Home Fund has been accrued as a liability in that fund as required by accounting principles generally accepted in the United States of America.

***Accrued Liabilities and Long-Term Obligations***

All payables and accrued liabilities 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.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

***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 New Hampshire Retirement System (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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, 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.

***Fund Balance Policy***

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County has segregated fund balance into five classifications: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- ***Non-spendable Fund Balance:*** Amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted Fund Balance:*** Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance:*** Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority: to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund.

As of June 30, 2018, the County has not adopted a fund balance policy. 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 may be applied, committed resources are to be applied first, followed by assigned and unassigned.

***Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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. For the Nursing Home Fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, 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 June 30, 2018, are classified in the accompanying financial statements as follows:

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Statement of Net Position:	
Cash and cash equivalents	\$ 52,081,818
Investments	5,034,616
Restricted cash	1,677,150
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>389,555</u>
	<u>\$ 59,183,139</u>

Deposits and investments at June 30, 2018 consist of the following:

Cash on hand	\$ 141,870
Deposits with financial institutions	<u>59,041,269</u>
	<u>\$ 59,183,139</u>

The County's investment policy for governmental fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The County limits its investments to demand deposits, money market accounts, certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool.

***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 to it. Currently, the County does not have an investment policy for assurance against custodial credit risk; however, the County has an agreement with the bank to collateralize deposits in excess of the FDIC insurance limits.

Of the County's deposits with financial institutions at year end, \$61,935,008 was collateralized by securities held by the bank in the bank's name.

**NOTE 3--CAPITAL ASSETS**

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

	Balance <u>7/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2018</u>
Governmental activities:				
Capital assets not depreciated:				
Construction in process	\$ 60,160	\$ 389,470		\$ 449,630
Total capital assets not being depreciated	<u>60,160</u>	<u>389,470</u>	<u>\$ -</u>	<u>449,630</u>
Other capital assets:				
Land improvements	197,465	9,650		207,115
Buildings and improvements	31,494,299	5,582		31,499,881
Equipment	9,191,848	561,386		9,753,234
Total other capital assets at historical cost	<u>40,883,612</u>	<u>576,618</u>	<u>-</u>	<u>41,460,230</u>

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Less accumulated depreciation for:

Land improvements	(184,674)	(6,758)	(191,432)
Buildings and improvements	(28,877,965)	(704,790)	(29,582,755)
Equipment	(8,127,146)	(442,561)	(8,569,707)
Total accumulated depreciation	<u>(37,189,785)</u>	<u>(1,154,109)</u>	<u>(38,343,894)</u>
Total other capital assets, net	• 3,693,827	(577,491)	3,116,336
Total capital assets, net	<u>\$ 3,753,987</u>	<u>\$ (188,021)</u>	<u>\$ 3,565,966</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 384,238
Public safety	769,871
Total governmental activities depreciation expense	<u>\$ 1,154,109</u>

The following is a summary of changes in capital assets in the proprietary fund:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018
Business-type activities:				
Land improvements	\$ 568,099	\$ 8,480		\$ 576,579
Buildings and improvements	8,299,502	102,091		8,401,593
Vehicles and equipment	5,683,045	378,508		6,061,553
Subtotal	<u>14,550,646</u>	<u>489,079</u>	<u>\$ -</u>	<u>15,039,725</u>
Accumulated depreciation:				
Land improvements	(512,460)	(11,609)		(524,069)
Buildings and improvements	(7,697,400)	(79,538)		(7,776,938)
Vehicles and equipment	(4,146,154)	(259,057)		(4,405,211)
Total accumulated depreciation	<u>(12,356,014)</u>	<u>(350,204)</u>	<u>-</u>	<u>(12,706,218)</u>
Total capital assets, net	<u>\$ 2,194,632</u>	<u>\$ 138,875</u>	<u>\$ -</u>	<u>\$ 2,333,507</u>

Depreciation expense was charged to the proprietary fund as follows:

Nursing Home	<u>\$ 350,204</u>
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**NOTE 4—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	\$ 374,574	\$ 2,683,536	\$ 41,459	\$ 253,995
Single Employer Plan	<u>-</u>	<u>6,176,211</u>	<u>160,126</u>	<u>374,615</u>
Total	<u>\$ 374,574</u>	<u>\$ 8,859,747</u>	<u>\$ 201,585</u>	<u>\$ 628,610</u>

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

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 \$172,989.

**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](http://www.nhrs.org).

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

***Benefits Provided***

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

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

***Funding Policy***

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contribution rates for the covered payroll of public safety employees and political subdivision employees were 4.10% and 0.30%, respectively, for the year ended June 30, 2018. Contributions to the OPEB plan for the County were \$374,574 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

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

At June 30, 2018, the County reported a liability of \$2,683,536 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016. 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, 2017, the County's proportion was approximately 0.5869 percent, which was a decrease of 0.0227 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized OPEB expense of \$253,995. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Net difference between projected and actual earnings on OPEB plan investments		\$ 8,468
Changes in proportion and differences between County contributions and proportionate share of contributions		32,991
County contributions subsequent to the measurement date	\$ 374,574	
Totals	<u>\$ 374,574</u>	<u>\$ 41,459</u>

The County reported \$374,574 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, 2018. 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>	
2018	\$ (35,108)
2019	(2,117)
2020	(2,117)
2021	(2,117)
	<u>\$ (41,459)</u>

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. 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 7.25 percent, 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:



**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 2,920,485	\$ 2,683,536	\$ 2,478,238

**SINGLE EMPLOYER PLAN**

***Plan Description***

Hillsborough County, New Hampshire administers the retiree health care benefits program- a single employer defined benefit 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 health care benefits for retirees and their dependents. Benefits are provided through the County, and the full cost of benefits is paid by retirees. Employees of the County and their dependents are eligible for postemployment medical insurance based on the eligibility requirements under the New Hampshire Retirement System. Retired employees contribute 100% of the total premium cost. Surviving spouses may continue coverage for lifetime by paying the required medical premium rates. Dental coverage nor life insurance is offered to retirees.

***Employees Covered By Benefit Terms***

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	502
	<u>512</u>

***Total OPEB Liability***

The County's total OPEB liability of \$6,176,211 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2016 and rolled forward to the OPEB plan's fiscal year end.

***Actuarial Assumptions and Other Inputs for OPEB***

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Inflation	2.60 percent
Investment rate of return	7.50 percent, net of investment returns, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	8.00% for 2016, decreasing 1.00% per year to an ultimate rate of 5.00% for 2019 and later years.

As of the June 30, 2018 measurement date, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members, therefore the 3.87% municipal bond rate was applied to all periods to determine the total OPEB liability. The municipal bond rate of 3.87% was determined based on the Bond Buyer 20-Bond GO Index published on June 28, 2018.

Pre-Retirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females, projected with generational mortality improvement using Scale MP-2015. Post-Retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females, projected with generational mortality improvement using Scale MP-2015.

***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balance at June 30, 2017	\$ 5,961,722
Changes for the year:	
Service Cost	309,966
Interest	222,179
Changes in assumptions or other inputs	(186,549)
Benefit payments	(131,107)
Net changes	<u>214,489</u>
Balance at June 30, 2018	<u>\$ 6,176,211</u>

Changes of assumptions and other inputs reflect an increase in the discount rate from 3.58% at June 30, 2017 to 3.87% at June 30, 2018.

***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>(2.87%)</u>	<u>(3.87%)</u>	<u>(4.87%)</u>
Total OPEB Liability	\$ 6,848,298	\$ 6,176,211	\$ 5,581,838

***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

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

(7.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (7.00% decreasing <u>to 4.00%</u> )	Healthcare Cost Trend Rates (8.00% decreasing <u>to 5.00%</u> )	1% Increase (9.00% decreasing <u>to 6.00%</u> )
Total OPEB Liability	\$ 5,354,519	\$ 6,176,211	\$ 7,162,310

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

For the year ended June 30, 2018, the County recognized OPEB expense of \$374,615. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 160,126

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

<u>June 30,</u>	
2019	\$ (26,423)
2020	(26,423)
2021	(26,423)
2022	(26,423)
2023	(26,423)
Thereafter	(28,011)
	<u>\$ (160,126)</u>

**NOTE 5--DEFINED BENEFIT PENSION PLAN**

***Plan Descriptions***

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](http://www.nhrs.org).

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

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. All assets are held in a single trust and are available to pay retirement benefits to all members.

***Benefits Provided***

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 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%

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

***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 contribution rates for the year ended June 30, 2018 were 25.33% and 11.08% of covered payroll to police officers and general employees, respectively. The County contributed 100% of the employer cost for police officers and general employees of the County.

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Per RSA-100:16, 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 an actuarial valuation. The County's pension contributions to the NHRS for the year ending June 30, 2017, was \$3,668,916, equal to the required contributions for the year.

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

At June 30, 2018, the County reported a liability of \$49,253,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016. 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, 2017, the County's proportion was approximately 1.0015 percent, which was a decrease of 0.0259 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$4,895,282. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 111,678	\$ 626,856
Changes of assumptions	4,945,704	
Net difference between projected and actual earnings on pension plan investments		627,268
Changes in proportion and differences between County contributions and proportionate share of contributions	713,644	1,676,170
County contributions subsequent to the measurement date	<u>3,669,339</u>	
Total	<u>\$ 9,440,365</u>	<u>\$ 2,930,294</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$6,510,071. The County reported \$3,669,339 as deferred outflows of resources related to pensions 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement periods as follows:

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

<u>June 30,</u>	
2018	\$ 577,274
2019	1,795,680
2020	1,481,563
2021	<u>(1,013,785)</u>
	<u>\$ 2,840,732</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%. 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, 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>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
County's proportionate share of the net pension liability	\$ 64,889,052	\$ 49,253,529	\$ 36,440,836

**NOTE 6--INTERFUND BALANCES AND TRANSFERS**

The County has combined the cash resources of its governmental and proprietary fund types. 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 June 30, 2018 are as follows:

	Due from General Fund
Due to Nursing Home Fund	\$ 36,225,059
Fiduciary Funds	10,000
	<u>\$ 36,235,059</u>

Interfund transfers for the year ended June 30, 2018 consisted of a transfer of \$98,500 to the Registry of Deeds Fund (Nonmajor Governmental Fund) from the General Fund to support current operations. There was a budgetary transfer of \$2,782,821 from the Nursing Home Fund to the General Fund.

**NOTE 7--RESTRICTED NET POSITION**

Net position is restricted for specific purposes at June 30, 2018 are as follows:

Drug Forfeiture Funds	<u>\$ 128,644</u>
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**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 8--COMPONENTS OF FUND BALANCE**

The components of the County's fund balance for its governmental funds at June 30, 2018 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Prepaid expenses	\$ 3,369		\$ 3,369
<b>Restricted for:</b>			
Drug Forfeiture	128,644		128,644
<b>Assigned for:</b>			
Deeds surcharge fund		\$ 26,600	26,600
Encumbrances	1,095,231		1,095,231
Capital reserves	503,457		503,457
<b>Unassigned</b>	<u>12,048,806</u>		<u>12,048,806</u>
	<u>\$ 13,779,507</u>	<u>\$ 26,600</u>	<u>\$ 13,806,107</u>

**NOTE 9--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 thirty-one Towns and Cities that comprise Hillsborough County (all independent governmental units) collect County taxes as part of local property tax assessments. As collection agent, the Towns/Cities are required to pay over to the County its share of property tax assessments. The Towns/Cities assume financial responsibility for all uncollected property taxes under state statutes.

**NOTE 10--OPERATING LEASES**

The County leases the former "House of Corrections" to the State of New Hampshire, which is using the facility as a women's prison. Rent is payable to the County on a monthly basis. In August 2017, the County extended the lease for one additional year, through June 30, 2018. The annual rent received by the County, which is annually adjusted, was \$256,017 for the year ended June 30, 2018.

Effective December 2013, the County entered into a 5-year lease with the State of New Hampshire for use of the 2<sup>nd</sup> Floor of the County Office Building for the Hillsborough County Courthouse. Rent is payable to the County on a monthly basis. This lease was cancelled effective June 30, 2018. The annual rent received by the County was \$196,824 for the year ended June 30, 2018.

In September 2011, the County entered into a 3-year lease with the State of New Hampshire for use of office space within the Hillsborough County Superior Court-North in Manchester, New Hampshire. In September 2014, the County and the State amended the lease terms with a new expiration of December 31, 2017. In October 2017, the County and the Department of Administrative Services of the State of New Hampshire entered into a new lease for the Hillsborough County Superior County Court space, with the new term to expire in December 2021. Rent is payable to the State of New Hampshire-Department of



**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

Administrative Services on a monthly basis. The annual rent paid by the County was \$122,707 for the year ended June 30, 2018.

The minimum future rental payments to be paid by the County for use of the Superior Court-North are as follows:

Year Ended <u>June 30,</u>	
2019	\$ 123,320
2020	123,934
2021	124,553
2022	<u>62,587</u>
	<u>\$ 434,394</u>

**NOTE 11--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 June 30, 2018, the County 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 County currently reports all of its risk management activities in its General Fund.

The Trust agreement permits 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 June 30, 2018.

***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.

***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

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

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 12--COMMITMENTS AND CONTINGENCIES**

***Encumbrances***

Encumbrances at June 30, 2018 are as follows:

General government	\$ 364,027
Public safety	714,588
Human services	16,616
	<u>\$ 1,095,231</u>

***Litigation***

Legal counsel estimates that any potential claims against the County which are not covered by insurance are immaterial and would not affect the financial position of the County.

***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 13—RESTATEMENT OF NET POSITION**

During the year ended June 30, 2018, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Government-Wide Statements***

The impact on net position of the Governmental Activities and Business-type Activities as of July 1, 2017 is as follows:

	Governmental Activities	Business-Type Activities
Net position, July 1, 2017 - as previously reported	\$(13,538,874)	\$ 16,367,623
Amount of restatement due to:		
Deferred outflows of resources related to OPEB	238,617	107,999
OPEB liability	<u>(3,816,574)</u>	<u>(1,990,201)</u>
Net position, July 1, 2017 - as restated	<u>\$(17,116,831)</u>	<u>\$ 14,485,421</u>

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

***Proprietary Fund***

The impact on net position of the Nursing Home Fund as of July 1, 2017 is as follows:

	Nursing Home Fund
Net position, July 1, 2017 - as previously reported	\$ 16,367,623
Amount of restatement due to:	
Deferred outflows of resources related to OPEB	107,999
OPEB liability	<u>(1,990,201)</u>
Net position, July 1, 2017 - as restated	<u>\$ 14,485,421</u>

SCHEDULE 1  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget -
				Favorable
				(Unfavorable)
Revenues:				
Taxes	\$ 54,113,661	\$ 54,113,661	\$ 54,113,661	\$ -
Intergovernmental	656,500	656,500	510,257	(146,243)
Charges for services	6,924,086	6,924,086	6,769,438	(154,648)
Interest income	100,000	100,000	306,045	206,045
Miscellaneous	481,768	481,768	622,490	140,722
Total Revenues	<u>62,276,015</u>	<u>62,276,015</u>	<u>62,321,891</u>	<u>45,876</u>
Expenditures:				
Current:				
General government	9,764,494	9,552,959	8,474,190	1,078,769
Public safety	22,817,124	23,028,659	21,252,403	1,776,256
Health and welfare	33,177,217	33,477,217	33,477,216	1
Debt Service:				
Principal retirement	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Expenditures	<u>65,758,836</u>	<u>66,058,836</u>	<u>63,203,809</u>	<u>2,855,027</u>
Excess revenues over (under) expenditures	<u>(3,482,821)</u>	<u>(3,782,821)</u>	<u>(881,918)</u>	<u>2,900,903</u>
Other Financing Sources (Uses):				
Transfers in	2,482,821	2,782,821	2,782,821	-
Transfers out			(98,500)	(98,500)
Total Other Financing Sources (Uses)	<u>2,482,821</u>	<u>2,782,821</u>	<u>2,684,321</u>	<u>(98,500)</u>
Net change in fund balance	(1,000,000)	(1,000,000)	1,802,403	2,802,403
Fund balance at beginning of year				
- Budgetary Basis	<u>10,378,416</u>	<u>10,378,416</u>	<u>10,378,416</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 9,378,416</u>	<u>\$ 9,378,416</u>	<u>\$ 12,180,819</u>	<u>\$ 2,802,403</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2018

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	County's Proportion of the Net OPEB <u>Liability</u>	County's Proportionate Share of the Net OPEB <u>Liability</u>	County's Covered Payroll	County's Proportionate Share of the Net OPEB Liability as a Percentage of <u>Covered Payroll</u>	Plan Fiduciary Net Position as a Percentage of the Total <u>OPEB Liability</u>
June 30, 2017	0.58690656%	\$ 2,683,536	\$ 25,496,033	10.53%	7.91%
June 30, 2016	0.60958478%	\$ 2,951,032	\$ 25,446,701	11.60%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Schedule of County OPEB Contributions**  
For the Year Ended June 30, 2018

<b>Cost-Sharing Multiple Employer Plan Information Only</b>					
<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>
June 30, 2018	\$ 374,574	\$ (374,574)	\$ -	\$ 23,822,521	1.57%
June 30, 2017	\$ 347,860	\$ (347,860)	\$ -	\$ 25,496,033	1.36%
June 30, 2016	\$ 354,206	\$ (354,206)	\$ -	\$ 25,446,701	1.39%

*See accompanying notes to the required supplementary information*

SCHEDULE 4

COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2018

<u>Single Employer Plan Information Only</u>		<u>2018</u>
Total OPEB Liability:		
Service cost	\$	309,966
Interest		222,179
Changes of benefit terms		-
Changes of assumptions or other inputs		(186,549)
Differences between expected and actual experience		-
Benefit payments		(131,107)
Net change in total OPEB liability		214,489
Total OPEB liability - beginning		5,961,722
Total OPEB liability - ending	\$	6,176,211
Covered employee payroll	\$	23,934,805
Total OPEB liability as a percentage of covered employee payroll		25.80%

See accompanying notes to the required supplementary information

SCHEDULE 5

COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2018

<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, 2017	1.00149655%	\$ 49,253,529	\$ 25,496,033	193.18%	62.66%
June 30, 2016	1.02740354%	\$ 54,633,163	\$ 25,446,701	214.70%	58.30%
June 30, 2015	0.99905238%	\$ 39,577,731	\$ 24,379,147	162.34%	65.47%
June 30, 2014	1.03647218%	\$ 38,904,872	\$ 24,580,252	158.28%	66.32%
June 30, 2013	1.04175831%	\$ 44,835,032	\$ 24,296,742	184.53%	59.81%

See accompanying notes to the required supplementary information



SCHEDULE 6  
**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**Schedule of County Pension Contributions**  
For the Year Ended June 30, 2018

<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>
June 30, 2018	\$ 3,669,338	\$ (3,669,338)	\$ -	\$ 23,822,521	15.40%
June 30, 2017	\$ 3,654,318	\$ (3,654,318)	\$ -	\$ 25,496,033	14.33%
June 30, 2016	\$ 3,673,059	\$ (3,673,059)	\$ -	\$ 25,446,701	14.43%
June 30, 2015	\$ 3,351,702	\$ (3,351,702)	\$ -	\$ 24,379,147	13.75%
June 30, 2014	\$ 3,362,556	\$ (3,362,556)	\$ -	\$ 24,580,252	13.68%
June 30, 2013	\$ 2,590,370	\$ (2,590,370)	\$ -	\$ 24,296,742	10.66%

*See accompanying notes to the required supplementary information*

**COUNTY OF HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2018

**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 were adjusted for non-budgetary activity, and General Fund budgetary expenditures and other financing uses were adjusted for encumbrances as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 65,107,222	\$ 63,715,826
Encumbrances, June 30, 2018		1,095,231
Encumbrances, June 30, 2017		(1,508,748)
Non-budgetary revenues	(2,510)	-
Per Schedule 1	<u>\$ 65,104,712</u>	<u>\$ 63,302,309</u>

**NOTE 2—BUDGETARY FUND BALANCES**

The components of the budgetary fund balance for the County are as follows:

<b>Nonspendable:</b>	
Prepaid expenses	\$ 3,369
<b>Restricted:</b>	
Drug forfeiture	128,644
<b>Unassigned</b>	<u>12,048,806</u>
	<u>\$ 12,180,819</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 #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 #75 during the year ended June 30, 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 HILLSBOROUGH, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
June 30, 2018

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

In accordance with GASB Statement #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 #75 during the year ended June 30, 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.

***Change in Actuarial Assumptions***

For the July 1, 2017 actuarial valuation, a discount rate of 3.58% was used. The discount rate was increased to 3.87% in the rollforward to the June 30, 2018 measurement date.

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

In accordance with GASB Statement #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 contributions. The County implemented the provisions of GASB Statement #68 during the year ended June 30, 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 additional information becomes available.

***Change in Actuarial Assumptions***

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.