

County of Carroll, New Hampshire

**Independent Auditors' Report
and
Management's Financial Statements**

December 31, 2014

Ron L. Beaulieu & Company
CERTIFIED PUBLIC ACCOUNTANTS

COUNTY OF CARROLL, NEW HAMPSHIRE

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
County of Carroll, New Hampshire
Ossipee, New Hampshire

Report on the Financial Statements

We have been engaged to audit 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 Carroll, New Hampshire, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinions

The County of Carroll Delegation has required the County Commissioners to include a significant dollar amount in its upcoming 2015 budget for a forensic audit. Further, this action is affirmation that the Delegation believes fraud has occurred. This situation is an indication of the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting or misappropriation of assets. Our response to this significant risk is to modify our audit plan by performing extended auditing procedures. We have offered to perform extended procedures specifically designed to detect fraud and the County Commissioners have declined to engage us to do so at this time. This limitation, in our professional judgment, prevents us from completing the audit or form opinions on the financial statements.

Disclaimer of Opinions

Because of the significance of the matters described in the basis for Disclaimer of Opinions paragraph, we have been unable to obtain sufficient appropriate evidence to provide the basis for audit opinions, and, accordingly, we do not express opinions on the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Carroll, New Hampshire as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the County of Carroll, New Hampshire will continue as a going concern. As discussed in Note 16 to the financial statements, the County's current liabilities exceed its current assets by \$1,324,965. Additionally, the County's unassigned general fund balance is (\$1,644,907). Because the County's 2016 tax revenues will not be received until December 2016, the County must obtain a tax anticipation note or loan, or line of credit for approximately \$17,000,000. As of the date of this report, the County has not secured this credit. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3.1 through 3.5 and 33 through 35 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. Although our Disclaimer of Opinions on the basic financial statements are not affected, the following material departures from the prescribed guidelines exist for the management discussion and analysis: (1) no comparative financial information, (2) no analysis of financial position or operations, (3) no budget analysis, (4) no discussion of capital assets or long-term debt, and (5) inclusion of items that are outside the scope of the management discussion and analysis and are not permitted under GASB 34 and 37 (management response to auditor). We do not express an opinion or provide any assurance on the information.

Ron L. Beaulieu & Co.

Portland, Maine
February 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

In New Hampshire, counties are intermediate units of government, not as close to the people as town government, but less distant than the State. Counties perform services which work best when designed to meet local needs, but which are too expensive or too difficult for the towns to provide.

County government has an executive branch, consisting of three elected County Commissioners who jointly serve as the County's governing body, and four elected department heads: the County Attorney, the Sheriff, the Register of Deeds, and the Treasurer. County elections are held biennially during even-numbered years. Commissioners are from individual districts, but all the county officials are elected countywide.

The legislative branch of county government, consisting of all State Representatives from the county (15 in Carroll County) is called the County Legislative Delegation. The County Delegation adopts an annual county budget which raises revenues and appropriates funds for county departments and programs. Carroll County has a budget of \$27,913,598 for the Fiscal Year of 2014 with \$14,334,920 raised by property taxes. The Delegation meets with the Commissioners quarterly to review the County's financial reports.

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.

Carroll 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, Farm, Sewer, Water Department, Registry of Deeds, Sheriff's Office, County Attorney, Health and Human Services, Delegation, Conservation District, Home and Health Care, and all Administrative Departments.

Enterprise Fund (Business-type activities): The revenue and expenditures of the Carroll County Nursing Home are isolated in a special fund (Enterprise 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, liabilities, 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.

Government 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. 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

Proprietary Fund: This fund, Mountain View Nursing Home, 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 Carroll 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 is used for the proprietary funds.

The County's only fiduciary funds are the agency funds for the inmate savings, Register of Deeds, Nursing Home patient funds and Gift Cart Fund, Employee Benefit Fund and Sheriff Escrow 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 ASSETS

The Statement of Net Assets 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 liabilities. This is one way to measure the financial health of the County. Over time, increases or decreases in the net assets of the County are an indicator of whether the financial health of the County is improving or deteriorating.

A portion of the County's net assets, 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.

A portion of the net assets, restricted net assets, is for Deeds Surcharge, Capital Reserves and Expendable Funds.

Request for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Carroll County Commissioners, P. O. Box 152, Ossipee, NH 03864.

MANAGEMENT RESPONSE TO AUDITORS NOTES

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management disagrees with the inclusion of Hales Location within the financial statements of Carroll County. While the Carroll County Commissioners serve in the role of Selectboard and Planning Board, the County does not handle or process revenue or expenditures for Hales Location. In future years the County will discontinue this inclusion.

Note 2: CASH AND INVESTMENTS

The total amount of the counties cash at December 31, 2014 was \$998,441.00

Note 3: ALLOWANCE FOR UNCOLLECTABLE DEBT

Management disagrees with the amount of uncollectable debt, listed at \$ 1,679,279.00 for 2014. Recent improvements in the ability of the Nursing Home to bill and collect for both Medicaid and private source revenue have significantly reduced this number.

Note 4: CAPITAL ASSESTS

Assets show a normal decline due to depreciation.

Note 5: SHORT TERM FINANCING

Short term financing was obtained at a rate of 1.12% for \$15,000,000.00

Note 6: LONG TERM FINANCING

Long term debt includes a Public Improvement Bond, a Jail Construction Bond, a New2 Hampshire Revolving Loan and the Nursing Home Bond.

Note 7: ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences include vacation time and sick time accrued by County employees to be paid out over time. Accruals are capped by collective bargaining agreements and County policy.

Note 8: OPERATING LEASES

The County listed no operating leases for 2014.

Note 9: CAPTIAL LEASES

The County listed \$94,466 in capital leases for 2014, of which \$49,883 was the current portion.

Note 10: INTERFUND RECIEVABLE AND PAYABLES

This fund reflects the support of the Nursing Home by the General Government Budget.

Note 11: FUND BALANCE COMPONENTS

At December 31, 2014 the County showed an unassigned fund balance of (\$ 1,644,907). It is noted that this negative balance is the major contributor to the need for a supplemental appropriation in 2015.

Note 12: EMPLOYEE BENEFIT PLANS

The County contributed \$1,135,274 for 2014 to the State of New Hampshire Retirement System which represents 11.17% of gross wages.

Note 13: POST RETIREMENT HEATH CARE BENEFITS

The County includes retirees in the health care plan provided by the County. Retirees share the cost with the New Hampshire Retirement System.

Note 14: RISK MANAGEMENT

The County participates in the Primex risk management pool for property and liability, unemployment compensation and worker's compensation coverage. The cost for the year was \$522,088.00.

Note 15: COMMITMENTS AND CONTINGENCIES

There are no outstanding issues related to Federal or State grants.

Note 18: GOING CONCERN

The auditing firm has expressed substantial doubt as to the County's ability to continue as a going concern. Management strongly disagrees with this statement. Taken at face value and in the context of the time period, Management concedes that it might be assumed that the County might have difficulty in each of the areas outlined in the note. However, actions taken by the County Commissioners, the new County Administrator, added in 2015, and the new County Finance Director, added in 2015, have stabilized the situation and ensured that the County will continue to function at full capacity.

Management took the following actions in 2015:

1. Passage of a supplemental budget in 2015 added 2.4 million dollars to the revenue stream of the County.
2. The proposed 2016 County Budget will continue to insure a sufficient revenue stream.
3. An RFP for the audit for 2015 is in progress and will occur on time.
4. Negotiation for provision of a Tax Anticipation Note for 2016 has been substantially completed.

Management can emphatically state that:

1. Current liabilities will be paid as they come due.
2. Employees and vendors will be paid on time.
3. Employee wage freezes and/or layoffs are not anticipated.
4. Periodic or long term shutdown of the County operations will not occur.

STATEMENT A

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 672,078	\$ 73,978	\$ 746,056
Accounts receivable (net)	119,200	1,840,443	1,959,643
Taxes receivable (net)	144,454	-	144,454
Due from other governments (net)	23,313	326,505	349,818
Internal Balances	199,816	(199,816)	-
Inventories	58,144	46,373	104,517
Prepaid expenses	96,516	27,267	123,783
Total current assets	<u>1,313,521</u>	<u>2,114,750</u>	<u>3,428,271</u>
Noncurrent assets:			
Capital assets, net	9,355,165	18,022,930	27,378,095
Restricted cash	2,780	249,605	252,385
Total noncurrent assets	<u>9,357,945</u>	<u>18,272,535</u>	<u>27,630,480</u>
TOTAL ASSETS	<u>10,671,466</u>	<u>20,387,285</u>	<u>31,058,751</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,149,396	31,121	2,180,517
Accrued expenses	12,338	122,706	135,044
Accrued payroll	121,346	203,541	324,887
Accrued interest	35,072	287,018	322,090
Due to other governments	-	-	-
Lease payable, current portion	49,883	-	49,883
Bond payable, current portion	537,834	1,202,981	1,740,815
Total current liabilities	<u>2,905,869</u>	<u>1,847,367</u>	<u>4,753,236</u>
Noncurrent liabilities:			
Accrued compensated absences	113,436	230,570	344,006
Lease payable, less current portion	44,583	-	44,583
Bonds payable, less current portion	1,193,158	18,035,479	19,228,637
Total noncurrent liabilities	<u>1,351,177</u>	<u>18,266,049</u>	<u>19,617,226</u>
TOTAL LIABILITIES	<u>4,257,046</u>	<u>20,113,416</u>	<u>24,370,462</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenues	4,115	-	4,115
TOTAL DEFERRED INFLOW OF RESOURCES	<u>4,115</u>	<u>-</u>	<u>4,115</u>
NET POSITION			
Net investment in capital assets	7,529,707	(1,215,530)	6,314,177
Restricted	297,059	249,605	546,664
Unrestricted	(1,416,461)	1,239,794	(176,667)
TOTAL NET POSITION	<u>\$ 6,410,305</u>	<u>\$ 273,869</u>	<u>\$ 6,684,174</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT B

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 3,146,969	\$ 772,311	\$ 55,328	\$ (2,319,330)	\$ -	\$ (2,319,330)
Public safety	3,102,391	291,613	-	(2,810,778)	-	(2,810,778)
Human services	4,408,800	-	-	(4,408,800)	-	(4,408,800)
Corrections	3,289,348	30,454	-	(3,258,894)	-	(3,258,894)
Farm	132,019	143,210	-	11,191	-	11,191
Interest	191,895	-	-	(191,895)	-	(191,895)
Total governmental activities	14,271,422	1,237,588	55,328	(12,978,506)	-	(12,978,506)
Business-type activities:						
Nursing Home	13,719,295	10,615,212	-	-	(3,104,083)	(3,104,083)
Total	27,990,717	11,852,800	55,328	(12,978,506)	(3,104,083)	(16,082,589)
General revenues:						
Taxes - County assessment				14,538,393	-	14,538,393
Interest				328	285	613
Miscellaneous revenues				138,897	4,859	143,756
Gain (loss) on disposal of capital assets				(55,043)	-	(55,043)
Transfers				(3,050,631)	3,050,631	-
Total general revenues				11,571,944	3,055,775	14,627,719
Change in net position				(1,406,562)	(48,308)	(1,454,870)
Net position - January 1				7,816,867	322,177	8,139,044
Net position - December 31				\$ 6,410,305	\$ 273,869	\$ 6,684,174

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF CARROLL, NEW HAMPSHIRE
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Other Governmental Funds	Total
ASSETS			
Cash	\$ 552,773	\$ 119,305	\$ 672,078
Accounts receivable (net)	201,524	3,534	205,058
Taxes receivable (net)	-	144,454	144,454
Inventories	58,144	-	58,144
Due from other governments (net)	7,886	15,427	23,313
Due from other funds	199,816	121,136	320,952
Prepaid expenses	96,516	-	96,516
Restricted cash	2,780	-	2,780
TOTAL ASSETS	\$ 1,119,439	\$ 403,856	\$ 1,523,295
LIABILITIES			
Accounts payable	2,148,155	87,099	2,235,254
Accrued expenses	12,338	-	12,338
Accrued payroll	121,346	-	121,346
Due to other funds	121,136	-	121,136
TOTAL LIABILITIES	2,402,975	87,099	2,490,074
DEFERRED INFLOW OF RESOURCES			
Deferred revenues	4,115	22,478	26,593
TOTAL DEFERRED INFLOW OF RESOURCES	4,115	22,478	26,593
FUND BALANCES			
Nonspendable	354,476	-	354,476
Restricted	2,780	137,829	140,609
Committed	-	156,450	156,450
Assigned	-	-	-
Unassigned	(1,644,907)	-	(1,644,907)
TOTAL FUND BALANCES	(1,287,651)	294,279	(993,372)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,119,439	\$ 403,856	
Capital assets used in governmental activities			9,355,165
Accrued interest from governmental activities			(35,072)
Deferred revenue from governmental activities			22,478
Long-term liabilities from governmental activities			(1,938,894)
Net assets of governmental activities			\$ 6,410,305

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General	Other Governmental Funds	Total
REVENUES			
Taxes from cities and towns	\$ 14,334,920	\$ 275,596	\$ 14,610,516
Charges for services	996,819	67,105	1,063,924
Intergovernmental	49,398	5,930	55,328
Farm	143,210	-	143,210
Jail	30,454	-	30,454
Interest earned	191	137	328
Miscellaneous	137,340	1,558	138,898
TOTAL REVENUES	15,692,332	350,326	16,042,658
EXPENDITURES			
General government	2,695,863	257,998	2,953,861
Public safety	2,687,676	101,276	2,788,952
Human services	4,408,800	-	4,408,800
Corrections	3,289,348	-	3,289,348
Farm	124,457	-	124,457
County taxes	-	85,858	85,858
Fixed asset acquisition/construction	64,848	-	64,848
Debt service:			
Principal retirement	677,487	-	677,487
Interest expense	203,749	-	203,749
TOTAL EXPENDITURES	14,152,228	445,132	14,597,360

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT D (CONTINUED)

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	General	Other Governmental Funds	Total
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES BEFORE OTHER			
FINANCING SOURCES (USES)	\$ 1,540,104	\$ (94,806)	\$ 1,445,298
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Proceeds from capital leases	51,623	-	51,623
Operating transfers in	46,708	-	46,708
Operating transfers out	(3,050,631)	(46,708)	(3,097,339)
TOTAL OTHER FINANCING SOURCES (USES)	(2,952,300)	(46,708)	(2,999,008)
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES AFTER OTHER			
FINANCING SOURCES (USES)	(1,412,196)	(141,514)	(1,553,710)
FUND BALANCE - JANUARY 1	124,545	435,793	560,338
FUND BALANCE - DECEMBER 31	\$ (1,287,651)	\$ 294,279	\$ (993,372)

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF CARROLL, NEW HAMPSHIRE
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total government funds	\$ (1,553,710)
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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 of capital outlays.	64,848
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This is the amount of depreciation expense.	(558,028)
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This is the gain (loss) on disposal.	(55,042)
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Expenses for accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(5,659)
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Expenses for accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	11,853
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Proceeds from capital leases and loans is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(51,623)
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Payments of capital leases and loans are expenditures in the governmental funds, but are a reduction of long-term liabilities in the statement of net position.	49,577
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Payment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	677,487
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Revenues that were deferred in the governmental fund statements, that do not provide current resources, are reported as revenues in the statement of activities.	13,735
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Change in net position of governmental activities.	<u>\$ (1,406,562)</u>
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See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT F

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Mountain View Nursing Home
ASSETS	
Current assets:	
Cash	\$ 73,978
Accounts receivable (net)	1,840,443
Due from other governments (net)	326,505
Due from other funds	-
Inventories	46,373
Prepaid expenses	27,267
Total current assets	<u>2,314,566</u>
Noncurrent assets:	
Capital assets, net	18,022,930
Restricted cash	249,605
Total noncurrent assets	<u>18,272,535</u>
TOTAL ASSETS	<u>20,587,101</u>
LIABILITIES	
Current liabilities:	
Accounts payable	31,121
Accrued payroll	203,541
Accrued expenses	122,706
Accrued interest	287,018
Bond payable, current portion	1,202,981
Total current liabilities	<u>1,847,367</u>
Noncurrent liabilities:	
Due to other funds	199,816
Accrued compensated absences	230,570
Bonds payable, less current portion	18,035,479
Total noncurrent liabilities	<u>18,465,865</u>
TOTAL LIABILITIES	<u>20,313,232</u>
NET POSITION	
Net investment in capital assets	(1,215,530)
Restricted	249,605
Unrestricted	1,239,794
TOTAL NET POSITION	<u>\$ 273,869</u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT G

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	<u>Mountain View Nursing Home</u>
OPERATING REVENUES	
Charges for services	10,377,253
Meal sales	237,959
Miscellaneous	4,859
TOTAL OPERATING REVENUES	<u>10,620,071</u>
OPERATING EXPENSES	
Administration	1,134,756
Dietary	1,677,841
Nursing	6,295,531
Plant operations	913,355
Laundry	144,200
Housekeeping	478,920
Physicians and pharmacy	94,888
Physical therapy	315,637
Recreational therapy	446,374
Social services	168,051
Special services	303,740
Depreciation	1,055,061
TOTAL OPERATING EXPENSES	<u>13,028,354</u>
OPERATING INCOME (LOSS)	<u>(2,408,283)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	285
Interest expense	(690,941)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(690,656)</u>
OTHER REVENUES (EXPENSES)	
Transfer in from general fund	3,050,631
TOTAL OTHER REVENUES (EXPENSES)	<u>3,050,631</u>
NET INCOME (LOSS)	(48,308)
NET POSITION - JANUARY 1	<u>322,177</u>
NET POSITION - DECEMBER 31	<u><u>\$ 273,869</u></u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT H

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<u>Mountain View Nursing Home</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 11,146,994
Payments to suppliers	(6,092,781)
Payments to employees	(5,903,022)
Internal activity - receipt from (payments to) other funds	(330,834)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(1,179,643)</u>
FINANCING ACTIVITIES (NON-CAPITAL)	
Transfer in from general fund	3,050,631
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (NON-CAPITAL)	<u>3,050,631</u>
FINANCING ACTIVITIES (CAPITAL)	
Purchase of capital assets	(419,644)
Principal payments on long-term debt	(1,202,981)
Interest payments on long-term debt	(690,941)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (CAPITAL)	<u>(2,313,566)</u>
INVESTING ACTIVITIES:	
Withdrawals from restricted cash	286,758
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>286,758</u>
INCREASE (DECREASE) IN CASH	(155,820)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>229,798</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u><u>\$ 73,978</u></u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT H (CONTINUED)

COUNTY OF CARROLL, NEW HAMPSHIRE
 STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 DECEMBER 31, 2014

	<u>Mountain View Nursing Home</u>
OPERATING ACTIVITIES	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(2,408,283)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Bad debt	(298,617)
Depreciation	1,055,061
Changes in operating assets and liabilities:	
Accounts receivable and accrued revenue	815,990
Due from other governments	9,550
Inventories	6,257
Prepaid expenses	(2,636)
Accounts payable and accrued expenses	7,128
Due to other funds	(330,834)
Accrued compensated absences	(33,259)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (1,179,643)</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	<u><u>\$ 735,844</u></u>

See accompanying independent auditors' report and management's notes to financial statements.

STATEMENT I

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Agency Funds
ASSETS	
Cash	\$ 861,577
Accounts receivable	5,162
TOTAL ASSETS	<u>\$ 866,739</u>
LIABILITIES	
Due to specific governments	\$ 768,466
Due to specific individuals	98,273
TOTAL LIABILITIES	<u>\$ 866,739</u>

See accompanying independent auditors' report and management's notes to financial statements.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Carroll is a "body corporate" under the authority of the New Hampshire Revised Statute Annotated (RSA) 23:1. The elected County Commissioners are responsible for the day to day operation of the County.

Principles Determining Scope of Reporting Entity

When an unincorporated place has no separate powers and the County holds the corporate powers of the unincorporated place, the unincorporated place will be a part of the County's financial statements. The County holds the corporate powers for Hales Location, the unincorporated place; therefore Hales Location must be a part of the County's financial statements. The financial statements of the County include the funds and account groups of the County and Hales Location.

Part 1 - Government-Wide Financial Statements

The statement of net position and statement of activities focuses on the primary government of the County of Carroll, New Hampshire as a whole. All governmental funds are included but are presented using the accrual basis of accounting. Fiduciary funds are excluded from these government-wide financial statements.

Measurement Focus and Basis of Accounting

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Program revenues include charges to taxpayers who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and operating or capital grants and contributions that are restricted to meeting the operational or capital requirement of a particular program.

Internal Activity

Amounts reported in the governmental funds as "due to other funds" and "due from other funds" have been eliminated in the statement of net position, except amounts due between the governmental and business-type activities. Any amounts that are "due to" or "due from" the fiduciary funds have been included in the statement of net assets.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization of Assets

Governmental Funds

Fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. Fixed assets are capitalized if over \$5,000.

Proprietary Funds

Fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date of donation. Fixed assets are capitalized if over \$500.

Depreciation

Governmental Funds and Proprietary Funds

Fixed assets are depreciated over their useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	10-40 years
Improvements	10-40 years
Wastewater & Water Systems	50 years
Equipment & Vehicles	5-20 years

Property Taxes

Taxes from Cities and Towns are committed on or around March 1st of each year. Taxes are due on or near December 17th. If the taxes are not paid by a City or Town on or before the due date, the County may petition the superior court.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Part 2 - Fund Financial Statements

Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, 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 various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories, as follows:

Governmental Funds

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

Other Governmental Funds - The County has four nonmajor funds.

Proprietary Funds

The County's Nursing Home fund accounts for the activities of the County Nursing Home. The fund accounts for the operation and maintenance of the Nursing Home, which provides intermediate nursing care to the elderly residents of the County. The Home is funded through a combination of Medicare funds from the Federal Government, Medicaid funds from the State, and transfers in from the County, as well as, from the private resources of the residents of the Nursing Home.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. Operating expenses include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and cash equivalents

The County considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets received by the County and held in the capacity of a trustee, custodian, or agent.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available (60 days after year end) as net current assets. Property taxes are recorded as revenue when levied even though a portion of the taxes may be collected in subsequent years. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenues and interest income are accrued when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to the general rule include principal and interest on general long-term debt, which is recognized when due.

All trust and agency funds are accounted for using the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

None of the estimates used in preparing the financial statements are considered significant.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

A. Budget Law and Practice

The County commissioners submit, in the previous December, an annual budget to the County Delegation in accordance with the New Hampshire Revised Statutes Annotated. By March 31, the County Delegation adopts the annual budget for the current calendar year. Supplemental budgets are allowed for unexpected modifications to the estimated revenues and appropriations.

Budgets are prepared on the modified accrual basis of accounting. Unencumbered, non-special, appropriations lapse at year end. Capital projects funds are carried forward each year until the project is completed or when the bond issue proceeds are totally expended.

B. Budgetary Control

An all inclusive budget is prepared in gross on a line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Pursuant to New Hampshire Public Laws - RSA 24:15 I, "No county commissioner, or elected or appointed officer, shall pay, or agree to pay, or incur any liability for the payment of, any sum of money for which the county convention has made no appropriation, or in excess of any appropriation so made except for the payment of judgments rendered against county."

Within these control levels, the commissioners may transfer appropriations, but the transfers may be required to be approved by the Executive Committee of the County Delegation. Several revisions were made to the budget during the year.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts receivable.

Due From Other Governments

Due from other governments are stated at the amount management expects to collect from balances outstanding at year-end. Allowances for uncollectible accounts are based on management's assessment of the periodic aging of accounts due from other governments.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

It is the County's policy to state investments at market value at the balance sheet date.

Excess Funds

There is no documented policy on where to hold excess funds.

Inventories

For government-wide financial statements, inventories are priced at the lower of cost or market on the first-in, first out basis. For fund financial statements, inventories are accounted for utilizing the purchase method. Under this method, inventories are recorded as expenditures when consumed rather than when purchased.

Interfund Receivables and Payables

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Fund Balance

For governmental funds, the nonspendable fund balances represent amounts that will never convert to cash or will not convert to cash to affect the current period; the restricted fund balances represent the amounts that are restricted by external governments, contributors, or external laws; the committed fund balances represent self-imposed limitations by the County that must be voted on to be established, modified, or rescinded; the assigned fund balances represent intended use of resources such as encumbrances by the Commissioners that the Commissioners feel are necessary to operate the County; and the unassigned fund balances represent anything that does not fit into the above four classifications. The general fund is the only fund that can report a positive unassigned balance.

If expenditures can be applied to either restricted or unrestricted balances, the government's policy is to apply them to restricted balances. If expenditures can be applied to committed, assigned or unassigned, the government's policy is to apply them first to committed balances, then to assigned balances, and any remainder is to be applied to unassigned balances. The County has not established a policy regarding a minimum fund balance.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

Tax revenue and other major county revenue sources are susceptible to accrual under the modified accrual basis of accounting. Property tax revenues are collected by the towns and cities in the County in December on an annual calendar year basis.

NOTE 2 - CASH AND INVESTMENTS

The total amount of the County's cash, as well as the County's investments, consists of the following at December 31, 2014:

Cash	\$ 998,441
------	------------

Temporary investments are stated at fair value (quoted market price or best available estimate).

Per state statutes, the County Treasurer has custody of all money belonging to the County and shall pay out the same only upon orders of the County Commissioners. The Treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to New Hampshire Public Laws - RSA 383:22 or in solvent banks within the state. Moneys may be deposited in banks outside the state if such banks pledge and deliver to a third party custodian bank or the Federal Reserve Bank collateral security for such deposits, United States government or government agency obligations or State of New Hampshire obligations in value at least equal to the deposits amounts. Per state statutes, whenever the County Treasurer has in custody an excess of funds, which are not immediately needed for the purpose of expenditure, the Treasurer shall, under the annual investment policy adopted with the County Commissioners, invest excess funds in obligations of the United States Government; in the public deposit investment pool established pursuant to New Hampshire Public Laws - RSA 383:22, in savings bank deposits of banks incorporated under the laws of the State of New Hampshire, or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

The receiver of such public funds to be deposited or to be invested in securities shall, prior to acceptance of such funds, provide a collateralization option (represented by exclusively segregated securities defined by the Bank Commissioner as qualifying under New Hampshire Public Laws - RSA 386:57) for such funds in an amount at least equal to the amount to be deposited or invested in securities. The New Hampshire Public Deposit Investment Pool issues a publicly available financial report that may be obtained by visiting www.nhpdip.com.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The total amount of the County's deposits in financial institutions, per the bank statements, at December 31, 2014 was \$957,538, of which \$250,000, was covered by federal depository insurance. The remaining deposits were collateralized by a Stand-by Letter of Credit with the Federal Home Loan Bank of Pittsburgh.

NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts receivable at December 31, 2014 is estimated to be:

	Accounts Receivable	Taxes Receivable	Due from Other Governments	Total
General Fund	\$ -	\$ -	\$ -	\$ -
Other governmental	-	-	-	-
Governmental Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The allowance for uncollectible accounts due from other governments at December 31, 2014 is estimated to be:

	Accounts Receivable	Due from Other Governments	Total
Mountain View Nursing Home	\$ 2,082,816	\$ -	\$ 2,082,816
Business-type	<u>\$ 2,082,816</u>	<u>\$ -</u>	<u>\$ 2,082,816</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Real estate (non-depreciable)	\$ 45,552	\$ -	\$ -	\$ 45,552
Real estate (depreciable)	12,894,398	-	(653,688)	12,240,710
Equipment and vehicles	2,490,068	64,848	(53,155)	2,501,761
Sewer system	2,367,673	-	-	2,367,673
Water system	1,508,026	-	-	1,508,026
Total capital assets	19,305,717	64,848	(706,843)	18,663,722
Accumulated depreciation	(9,402,330)	(558,028)	651,801	(9,308,557)
Capital assets, net	<u>\$ 9,903,387</u>	<u>\$ (493,180)</u>	<u>\$ (55,042)</u>	<u>\$ 9,355,165</u>

Depreciation was charged to governmental functions as follows:

General government	187,449
Public safety	363,016
Corrections	-
Farm	7,563
	<u>\$ 558,028</u>

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Construction in progress	-	376,150	-	376,150
Real estate	16,298,312	20,000	-	16,318,312
Equipment and vehicles	5,092,659	23,494	(3,403)	5,112,750
Total capital assets	21,390,971	419,644	(3,403)	21,807,212
Less accum. depreciation	(2,732,624)	(1,055,061)	3,403	(3,784,282)
Capital assets, net	<u>\$18,658,347</u>	<u>\$ (635,417)</u>	<u>\$ -</u>	<u>\$ 18,022,930</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANs or TANs).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs) or grant anticipation notes (GANs).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the General Fund.

Details related to the short-term debt activity for the fiscal year ended December 31, 2014, is as follows:

Type	Purpose	Rate	Due Date	Balance at 12/31/13	Issued	Retired	Balance at 12/31/14
TAN	Cash flow	1.12%	12/31/2014	-	15,000,000	15,000,000	-
				\$ -	\$ 15,000,000	\$ 15,000,000	\$ -

NOTE 6 - LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

The following is a summary of bonds outstanding at December 31, 2014:

\$235,000 - Public Improvement Bond (Rural Development), due in annual installments of \$7,834 through July 2032, plus interest at 4.50%.	140,992
\$8,000,000 - Jail Construction Bond, due in annual installments of \$530,000 through July 2017, plus interest at 4.10% to 4.50%.	1,590,000
Total bonds payable	<u>\$ 1,730,992</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in bonds payable:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Current Portion
Public Improvement	\$ 148,826	\$ -	\$ (7,834)	\$ 140,992	\$ 7,834
Jail Construction	2,120,000	-	(530,000)	1,590,000	530,000
NH Revolving Loan	139,653	-	(139,653)	-	-
	<u>\$ 2,408,479</u>	<u>\$ -</u>	<u>\$ (677,487)</u>	<u>\$ 1,730,992</u>	<u>\$ 537,834</u>

The annual principal and interest requirements to maturity are as follows:

	Principal	Interest	Total Debt Service
2015	\$ 537,834	\$ 75,951	\$ 613,785
2016	537,834	52,809	590,643
2017	537,834	29,136	566,970
2018	7,834	5,198	13,032
2019	7,834	4,846	12,680
2020-2024	39,170	18,943	58,113
2025-2029	39,170	10,131	49,301
2030-2032	23,482	1,851	25,333
	<u>\$ 1,730,992</u>	<u>\$ 198,865</u>	<u>\$ 1,929,857</u>

BUSINESS-TYPE ACTIVITIES

The following is a summary of bonds outstanding at December 31, 2014:

\$23,500,000 - Nursing Home General Obligation Bond, due in annual installments of \$1,175,000 through August 2030, plus interest at 2.50% to 5.00%.

19,238,460

Total bonds payable \$19,238,460

The following is a summary of changes in bonds payable:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Current Portion
General Obligation	\$ 20,441,441	\$ -	\$ (1,202,981)	\$ 19,238,460	\$ 1,202,981
	<u>\$ 20,441,441</u>	<u>\$ -</u>	<u>\$ (1,202,981)</u>	<u>\$ 19,238,460</u>	<u>\$ 1,202,981</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to maturity are as follows:

	Principal	Interest	Total Debt Service
2015	\$ 1,175,000	\$ 688,844	\$ 1,863,844
2016	1,175,000	659,469	1,834,469
2017	1,175,000	624,219	1,799,219
2018	1,175,000	577,219	1,752,219
2019	1,175,000	518,469	1,693,469
2020-2024	5,875,000	1,941,687	7,816,687
2025-2029	5,875,000	895,937	6,770,937
2030	1,175,000	47,000	1,222,000
	<u>\$ 18,800,000</u>	<u>\$ 5,952,844</u>	<u>\$ 24,752,844</u>

Reconciliation to Statement of Net Position:

Principal above	\$ 18,800,000
Bond premium	438,460
Statement of Net Position	<u>\$ 19,238,460</u>

NOTE 7 - ACCRUED COMPENSATED ABSENCES

GOVERNMENTAL ACTIVITIES

Summarized below are the accrued vacation and sick leave liabilities at December 31, 2014:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Current Portion
Accrued compensated absences	\$ 107,777	\$ 5,659	\$ -	\$ 113,436	\$ -
Totals	<u>\$ 107,777</u>	<u>\$ 5,659</u>	<u>\$ -</u>	<u>\$ 113,436</u>	<u>\$ -</u>

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Current Portion
Accrued compensated absences	\$ 263,829	\$ -	\$ (33,259)	\$ 230,570	\$ -
Totals	<u>\$ 263,829</u>	<u>\$ -</u>	<u>\$ (33,259)</u>	<u>\$ 230,570</u>	<u>\$ -</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 - OPERATING LEASES

The County has numerous operating leases for office equipment and office space. Future minimum annual rental payments are as follows:

2014	-
2015	-
2016	-
2017	-
2018	-

Operating lease expenditures totaled \$21,936 in Public Safety for the year.

NOTE 9 - CAPITAL LEASES

The County is the lessee of various vehicles under capital leases expiring in 2017. The liabilities under the capital leases are recorded at the present value of the minimum lease payments.

2015	\$ 54,209
2016	33,386
2017	13,665
2018	-
2019	-
	<hr/>
	101,260
Less interest	6,794
Present value	<hr/>
	<u>\$ 94,466</u>

The following is a summary of the changes in Capital Leases for the year ended December 31, 2014:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Current Portion
Capital lease payable	\$ 92,419	\$ 51,623	\$ (49,576)	\$ 94,466	\$ 49,883
Totals	<u>\$ 92,419</u>	<u>\$ 51,623</u>	<u>\$ (49,576)</u>	<u>\$ 94,466</u>	<u>\$ 49,883</u>

Amortization of assets held under capital leases is included with depreciation expense.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9 - CAPITAL LEASES (CONTINUED)

The following is an analysis of the leased assets included in Capital Assets.

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Equipment	\$ 150,900	\$ 51,623	\$ -	\$ 202,523
Total capital assets	150,900	51,623	-	202,523
Less accum. depreciation	28,126	33,622	-	61,748
Net capital assets	<u>\$ 122,774</u>	<u>\$ 18,001</u>	<u>\$ -</u>	<u>\$ 140,775</u>

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2014, consisted of the following individual fund receivables and payables:

Receivable Fund	Payable Fund	Amount
General	Mountain View Nursing Home	\$ 199,816
Other Governmental	General	121,136
		<u>\$ 320,952</u>

Interfund balances represent amounts for pooled cash.

Interfund transfers at December 31, 2014 consisted of the following:

Transfers In:				
	General	Other Governmental	Mountain View Nursing Home	Amount
Transfers Out:				
General	\$ -	\$ -	\$ 3,050,631	\$ 3,050,631
Other Governmental	46,708	-	-	46,708
Mountain View Nursing Home	-	-	-	-
Total	<u>\$ 46,708</u>	<u>\$ -</u>	<u>\$ 3,050,631</u>	<u>\$ 3,097,339</u>

Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 - FUND BALANCE COMPONENTS

At December 31, 2014, the components of fund balance are as follows:

	Nonspendable	Restricted	Committed	Assigned	Unassigned
General Fund					
Not in spendable form	\$ 354,476	\$ -	\$ -	\$ -	\$ -
Encumbrances	-	-	-	-	-
Tax anticipation note	-	2,780	-	-	-
Unspecified	-	-	-	-	(1,644,907)
Other Governmental Funds					
Deeds surcharge	-	61,441	-	-	-
Juvenile program	-	-	-	-	-
Hales Location	-	76,388	-	-	-
Capital projects	-	-	156,450	-	-
Total	<u>\$ 354,476</u>	<u>\$ 140,609</u>	<u>\$ 156,450</u>	<u>\$ -</u>	<u>\$ (1,644,907)</u>

NOTE 12 - EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

A. Plan Description

County employees contribute to the New Hampshire Retirement System (NHRS), a contributory defined benefit public employee pension plan that acts as a common investment and administrator for its participants.

The NHRS provides retirement, annual cost-of-living adjustments, death and disability benefits to members and beneficiaries. These benefit provisions and all other requirements are established by state statute. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire, 03301-8507.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 12 - EMPLOYEE BENEFIT PLANS (CONTINUED)

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the NHRS. This year, Group I members contributed 7.0% and Group II members contributed 11.55% of gross earnings. The State of New Hampshire and the County are required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by the statute. The contribution requirements for the County and the State portion of this requirement for the past three fiscal years were:

	2014	2013	2012
County contribution	\$ 1,135,274	\$ 995,465	\$ 872,712
State contribution	-	-	-
Total requirement	<u>\$ 1,135,274</u>	<u>\$ 995,465</u>	<u>\$ 872,712</u>

NOTE 13 - POST - RETIREMENT HEALTH CARE BENEFITS

The County's health care plan is administered by Primex, a public entity risk pool in the State currently operating as a common risk management and insurance program. New Hampshire Public Laws – RSA 100-A:50 requires that the health insurance premiums be rated together ("retired employees shall be deemed to be part of the same group of active employees...for purposes of determining medical insurance premiums"). This results in the County having a community-based plan. The County requires the retiree to pay 100% of their health insurance premium. Primex issues a publicly available financial report. That report may be obtained by writing to Primex, 46 Donovan Street, Concord, New Hampshire, 03301.

There are currently 183 participants in the retiree health insurance benefit plan of which 13 are retired employees.

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County, along with numerous other municipalities in the State, is a member of three public entity risk pools in the State currently operating as a common risk management and insurance program for which all political subdivision in the State of New Hampshire are eligible to participate. The pools provide coverages for worker's compensation, unemployment and property liability insurance. As a member of the pools, the County shares in contributing to the cost of and receiving benefits from a self-insured pooled risk management program. Contributions paid for the fiscal year totaled \$522,088 with no unpaid contributions at year-end. There were no deductible claims for the fiscal year.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 14 - RISK MANAGEMENT (CONTINUED)

The pool agreement permits the pool to make additional assessments to members should there be deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of an additional assessment for past years.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The County participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2014 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective agents; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16 – GOING CONCERN

There is substantial doubt about the County's ability to continue as a going concern. The conditions and events giving rise to the substantial doubt of the County's ability to continue as a going concern were as follows:

- 1) The County's current liabilities exceeds its current assets by \$1,324,965 on the Statement of Net Position.
- 2) Unassigned general fund balance has a (deficit) of (\$1,644,907) on the Balance Sheet – Governmental Funds.
- 3) The general fund's excess of revenues under expenditures after other financing uses is (\$1,412,196) on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

These factors, as well as the lack of a financial institution commitment of a Tax Anticipation Note in an amount of approximately \$17,000,000 for 2016, create an uncertainty about the County's ability to continue as a going concern.

The possible effect of such conditions and events include:

- 1) Inability to pay current liabilities as they become due.
- 2) Inability to pay employees or vendors.
- 3) The need for employee wage freezes and employee layoffs.
- 4) Potential periodic or long-term shutdown of County operations.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16 – GOING CONCERN (CONTINUED)

Management believes that taken at face value and in the context of the time period, Management concedes that it might be assumed that the County might have difficulty in each of the areas outlined in the note. However, actions taken by the County Commissioners, the new County Administrator, added in 2015, and the new County Finance Director, added in 2015, have stabilized the situation and ensured that the County will continue to function at full capacity.

Management took the following actions in 2015:

- 1) Passage of a supplemental budget in 2015 added \$2.4 million dollars to the revenue stream of the County.
- 2) The proposed 2016 County Budget will continue to insure a sufficient revenue stream.
- 3) Negotiation for provision of a Tax Anticipation Note for 2016 has been substantially completed.

Management's plans to do the following:

- 1) Current liabilities will be paid as they come due.
- 2) Employees and vendors will be paid on time.
- 3) Employees' wage freezes and/or layoffs are not anticipated.
- 4) Periodic or long-term shutdown of the County operations will not occur.

There is no information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.

NOTE 17 - UPCOMING PRONOUNCEMENTS

For years beginning after June 15, 2014, GASB 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 will be in effect. The new pronouncement requires that the net pension liability be stated on the County's balance sheet. The County participates in the New Hampshire Retirement System which has a net pension liability. For 2015, the County will state a portion of the net pension liability on its balance sheet.

NOTE 18 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of February 16, 2016, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

SCHEDULE A

COUNTY OF CARROLL, NEW HAMPSHIRE
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2014

	Proposed Budget	Approved Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes from cities and towns	\$ 14,334,920	\$ 14,334,920	\$ 14,334,920	\$ -
Charges for services	1,050,799	1,050,799	996,819	(53,980)
Intergovernmental	45,341	45,341	49,398	4,057
Farm	134,500	134,500	143,210	8,710
Jail	42,000	42,000	30,454	(11,546)
Interest earned	180	180	191	11
Miscellaneous	75,001	75,001	137,340	62,339
TOTAL REVENUES	15,682,741	15,682,741	15,692,332	9,591
EXPENDITURES				
Current:				
General government	2,519,480	2,519,480	2,692,199	(172,719)
Public safety	2,658,089	2,658,089	2,683,102	(25,013)
Human services	4,310,708	4,310,708	4,408,800	(98,092)
Corrections	3,223,302	3,223,302	3,274,557	(51,255)
Farm	136,261	136,261	124,040	12,221
Fixed asset acquisition/construction	-	-	64,848	(64,848)
Debt service:				
Principal retirement	677,487	677,487	677,487	-
Interest expense	201,783	201,783	203,749	(1,966)
TOTAL EXPENDITURES	13,727,110	13,727,110	14,128,782	(401,672)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES BEFORE OTHER				
FINANCING SOURCES (USES)	1,955,631	1,955,631	1,563,550	(392,081)
OTHER FINANCING SOURCES (USES)				
Prior year surplus utilization	1,095,000	1,095,000	-	-
Bond proceeds	-	-	-	-
Proceeds from capital leases	-	-	51,623	51,623
Operating transfers in	-	-	46,708	46,708
Operating transfers out	(3,050,631)	(3,050,631)	(3,050,631)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,955,631)	(1,955,631)	(2,952,300)	98,331
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES AFTER OTHER				
FINANCING SOURCES (USES)	\$ -	\$ -	\$ (1,388,750)	\$ (293,750)

See accompanying independent auditors' report and management's notes to required supplementary information.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The County is required to have a budget for the General Fund. The County is not required to adopt an annual budget for its special revenue and capital project funds. Budgets for individual special revenue funds are utilized in accordance with the requirements for the grantor agencies.

Basis of Accounting

The modified accrual basis of accounting is used in preparing budgets except when non-cash items are involved. In that case, the non-cash items are omitted from the budget.

NOTE 2 – ACTUAL (BUDGET BASIS) TO GAAP BASIS RECONCILIATION

Revenues:

Actual amounts (budgetary basis) from the budgetary comparison schedule	\$ 15,692,332
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Differences - budget to GAAP:

The proceeds from the on-behalf payment from the State of New Hampshire are a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	-
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 15,692,332</u>
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Expenditures:

Actual amounts (budgetary basis) from the budgetary comparison schedule	14,128,782
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Differences - budget to GAAP:

The expenditure of the on-behalf payment from the State of New Hampshire is a non-cash item. Non-cash items are not considered when calculating the actual amounts for the budget.	-
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Accrued wages and related payroll taxes are not budgeted for and therefore are removed from the budgetary comparison schedule.	<u>23,446</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 14,152,228</u>
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COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014

NOTE 3 – OVERSPENT APPROPRIATIONS

The following are material overspent appropriations:

General Government	\$172,719
Human Services	\$ 98,092

ADDENDUM TO MANAGEMENT'S DISCUSSION AND ANALYSIS

This addendum is included as a response to the changes included in the 2014 Audit conducted by Ron L Beaulieu & Company for the County of Carroll. Those changes occurred between the draft copy of the audit and the final copy of the audit dated February 16, 2016. In the final copy, the auditor asserts that an audit opinion cannot be expressed on the audit of the County due to the possibility of fraud.

Management notes that audits for 2010, 2011, 2012, 2013 and a draft audit for 2014 were completed by the auditing firm without a single finding, yet the auditing firm offered, for an additional engagement contract, to perform additional work to audit for potential fraud. Management finds it incomprehensible that five successive audits, that had no findings, would not reveal the possible presence of fraud. For this reason, the Commissioners, with the recommendation of the County Administrator and the County Finance Director, opted to seek a new auditing firm. That firm has been engaged and has begun work on the 2015 audit. Part of that engagement will include a review of outstanding audit related questions that have been raised by the Commissioners and the County Delegation and development of an appropriate methodology for answering those questions.

