

COUNTY OF CARROLL, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual – General Fund	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension Liability	35
Schedule of Pension Contributions	36

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
County of Carroll, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County of Carroll, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the General Fund and aggregate remaining fund information; and qualified opinion on the governmental activities.

Basis for Qualified Opinion on Governmental Activities

Management of the County of Carroll, New Hampshire has not adopted Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* and, accordingly, has not reported the related liability and expense on the government-wide financial statements, nor has the required supplementary information, Schedule of Funding Progress, been included in these financial statements. Accounting principles generally accepted in the United States of America require that the net OPEB obligation be reported, which would increase liabilities and expenses and decrease net position in the government-wide financial statements. The amount by which this departure would affect the liabilities and expenses, and net position of the government-wide financial statements, is not reasonably determinable.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the governmental activities for the County of Carroll, New Hampshire, as of December 31, 2015, and the changes in net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of December 31, 2015, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

_____, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Carroll, New Hampshire (the County), we offer readers this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and sick leave).

The governmental activities include general government, public safety, corrections, human services, cooperative extension, county farm, economic development, and nursing home.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements provide separate information for the General Fund, which is considered to be a major fund.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement has been provided in order to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(4,059,859) (i.e., net position), a change of \$2,914,217 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental fund (general fund) reported an ending fund balance of \$2,963,053, a change of \$2,612,947 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable, including bond premium) at the close of the current fiscal year was \$19,643,246, a change of \$(1,767,840) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,897,497	\$ 3,495,092
Noncurrent assets	25,725,334	27,530,024
Deferred outflows	629,709	627,167
Total assets and deferred outflows	<u>31,252,540</u>	<u>31,652,283</u>
Current liabilities	4,253,515	5,257,774
Noncurrent liabilities	30,036,044	31,858,776
Deferred inflows	1,022,840	1,509,809
Total liabilities and deferred inflows	<u>35,312,399</u>	<u>38,626,359</u>
Net position:		
Net investment in capital assets	5,981,088	6,466,106
Restricted	327,699	346,360
Unrestricted	<u>(10,368,646)</u>	<u>(13,786,542)</u>
Total net position	<u>\$ (4,059,859)</u>	<u>\$ (6,974,076)</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 10,738,900	\$ 10,335,194
Operating grants and contributions	1,527,276	1,407,705
General revenues:		
County taxes	17,623,774	14,334,920
Investment income	1,014	1,185
Miscellaneous	428,707	268,719
Total revenues	<u>30,319,671</u>	<u>26,347,723</u>

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Expenses:		
General government	2,474,247	2,707,590
Public safety	2,560,482	3,391,886
Corrections	3,122,309	3,297,335
Human services	4,643,547	4,408,800
Cooperative extension	232,053	229,259
County farm	146,732	133,573
Regional appropriations	203,250	206,425
Nursing home	13,141,058	14,751,585
Interest expense	881,776	910,817
Total expenses	<u>27,405,454</u>	<u>30,037,270</u>
Change in net position	2,914,217	(3,689,547)
Net position - beginning of year	<u>(6,974,076)</u>	<u>(3,284,529)</u>
Net position - end of year	<u>\$ (4,059,859)</u>	<u>\$ (6,974,076)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(4,059,859), a change of \$2,914,217 from the prior year.

The largest portion of net position, \$5,981,088, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$327,699, represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,914,217. Key elements of this change are as follows:

General fund operating results	\$ 2,612,947
Purchase of capital assets, net	65,542
Depreciation expense in excess of principal debt service	(108,926)
Change in accrued interest liability	22,836
Change in compensated absence liability	(20,994)
Change in net pension liability	(146,699)
Change in deferred outflows of resources	2,542
Change in deferred inflows of resources	486,969
Total	<u>\$ 2,914,217</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the governmental fund (General Fund) reported an ending fund balance of \$2,963,053, a change of \$2,612,947 in comparison to the prior year.

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,239,530, while total fund balance was \$2,963,053. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgeted expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>	<u>Percentage of Total Budgeted Expenditures</u>
Unassigned fund balance	\$ 2,239,530	\$ (254,482)	\$ 2,494,012	7.6%
Total fund balance	\$ 2,963,053	\$ 350,106	\$ 2,612,947	10.0%

The total fund balance of the general fund changed by \$2,612,947 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 995,288
Expenditures less than appropriations	<u>1,617,659</u>
Total all funds	<u>\$ 2,612,947</u>

E. BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,000,000. This change relates to a supplemental budget increase in county taxes to correct for overstated revenue estimates in the original budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$25,725,334 (net of accumulated depreciation), a change of \$(1,804,690) from the prior year. This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and vehicles.

Additional information on capital assets can be found in the notes to financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$19,643,246, all of which was backed by the full faith and credit of the County.

Additional information on long-term debt can be found in the notes to financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County of Carroll, New Hampshire's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

County of Carroll, New Hampshire
95 Water Village Road
Ossipee, New Hampshire 03864

COUNTY OF CARROLL, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental <u>Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 2,541,800
Restricted cash	327,699
Receivables:	
Accounts, net	1,367,539
Intergovernmental	400,587
Other	17,944
Inventory	119,228
Prepaid expenses	122,700
Total current assets	<u>4,897,497</u>
Noncurrent:	
Capital Assets:	
Land	45,552
Other capital assets, net of accumulated depreciation	25,679,782
Total noncurrent assets	<u>25,725,334</u>
TOTAL ASSETS	30,622,831
Deferred Outflows of Resources	<u>629,709</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	31,252,540
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accounts payable	1,416,900
Accrued expenses	482,982
Other liabilities	34,562
Accrued interest	299,253
Current portion of noncurrent liabilities:	
Bonds payable	1,767,840
Capital lease payable	49,519
Compensated absences	202,459
Total current liabilities	<u>4,253,515</u>
Noncurrent:	
Bonds payable	17,875,406
Capital lease payable	51,481
Compensated absences	162,541
Net pension liability	11,946,616
Total noncurrent liabilities	<u>30,036,044</u>
TOTAL LIABILITIES	34,289,559
Deferred Inflows of Resources	<u>1,022,840</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	35,312,399
NET POSITION	
Net investment in capital assets	5,981,088
Restricted	327,699
Unrestricted	<u>(10,368,646)</u>
TOTAL NET POSITION	\$ <u>(4,059,859)</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		<u>Program Revenues</u>		<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:				
General government	\$ 2,474,247	\$ 875,235	\$ 22,018	\$ (1,576,994)
Public safety	2,560,482	247,103	12,990	(2,300,389)
Corrections	3,122,309	85,341	-	(3,036,968)
Human services	4,643,547	-	-	(4,643,547)
Cooperative extension	232,053	-	-	(232,053)
County farm	146,732	86,676	-	(60,056)
Regional appropriations	203,250	-	-	(203,250)
Nursing home	13,141,058	9,444,545	1,492,268	(2,204,245)
Interest	881,776	-	-	(881,776)
Total Governmental Activities	\$ <u>27,405,454</u>	\$ <u>10,738,900</u>	\$ <u>1,527,276</u>	(15,139,278)
General Revenues:				
				17,623,774
County taxes				1,014
Investment income				<u>428,707</u>
Miscellaneous				
Total general revenues				<u>18,053,495</u>
Change in Net Position				2,914,217
Net Position:				
Beginning of year				<u>(6,974,076)</u>
End of year				\$ <u><u>(4,059,859)</u></u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2015

	General Fund
ASSETS	
Cash and short-term investments	\$ 2,541,800
Restricted cash	327,699
Receivables:	
Accounts, net	1,367,539
Intergovernmental	400,587
Other	17,944
Inventory	119,228
Prepaid expenses	122,700
TOTAL ASSETS	\$ 4,897,497
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,416,900
Accrued expenses	482,982
Other liabilities	34,562
TOTAL LIABILITIES	1,934,444
Fund Balances:	
Nonspendable:	
Inventory	119,228
Prepaid expenses	122,700
Restricted:	
Deeds surcharge account	80,075
Dube fund	247,624
Committed:	
Drug rehabilitation program	30,000
Legal settlement	100,000
Assigned:	
Encumbrances	23,896
Unassigned	2,239,530
TOTAL FUND BALANCES	2,963,053
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,897,497

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

COUNTY OF CARROLL, NEW HAMPSHIRE

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

DECEMBER 31, 2015

Total governmental fund balances	\$ 2,963,053
<ul style="list-style-type: none"> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	25,725,334
<ul style="list-style-type: none"> Deferred outflows of resources from net pension liability 	629,709
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(299,253)
<ul style="list-style-type: none"> Long-term liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds: 	
Bonds payable	(19,643,246)
Capital lease payable	(101,000)
Compensated absences	(365,000)
Net pension liability	(11,946,616)
<ul style="list-style-type: none"> Deferred inflows of resources from net pension liability 	<u>(1,022,840)</u>
Net position of governmental activities	<u><u>\$ (4,059,859)</u></u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund
Revenues:	
County taxes	\$ 17,623,774
Nursing home	10,936,813
Charges for services	1,207,679
Intergovernmental	35,008
Investment income	1,014
County farm	86,676
Miscellaneous	<u>384,886</u>
Total Revenues	30,275,850
Expenditures:	
Current:	
General government	2,361,597
Public safety	2,647,421
Corrections	3,016,615
Human services	4,643,547
Cooperative extension	232,053
County farm	143,106
Regional appropriations	203,250
Nursing home	11,874,594
Debt service:	
Principal	1,712,834
Interest	<u>904,613</u>
Total Expenditures	<u>27,739,630</u>
Excess (deficiency) of revenues over expenditures	2,536,220
Other Financing Sources (Uses):	
Proceeds of capital leases	<u>76,727</u>
Total Other Financing Sources (Uses)	<u>76,727</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,612,947
Fund Equity, at Beginning of Year	<u>350,106</u>
Fund Equity, at End of Year	<u>\$ 2,963,053</u>

The accompanying notes are an integral part of these 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

FOR THE YEAR ENDED DECEMBER 31, 2015

Net changes in fund balances - Total governmental funds	\$ 2,612,947
<ul style="list-style-type: none"> Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital asset purchases, net	65,542
Depreciation	(1,870,232)
<ul style="list-style-type: none"> The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of bonds payable	1,712,834
Amortization of bond premium	55,006
Proceeds of capital lease payable	(76,727)
Repayments of capital lease payable	70,193
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	22,836
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 	
Compensated absences	(20,994)
GASB 68 changes:	
Net pension liability	(146,699)
Deferred outflows of resources	2,542
Deferred inflows of resources	<u>486,969</u>
Change in net position of governmental activities	\$ <u>2,914,217</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>		
Revenues:				
County taxes	\$ 15,223,774	\$ 17,623,774	\$ 17,623,774	\$ -
Nursing home	11,938,679	10,438,179	11,125,660	687,481
Charges for services	1,096,773	1,197,273	1,207,679	10,406
Intergovernmental	38,000	38,000	35,008	(2,992)
Investment income	180	180	1,014	834
County farm	100,500	100,500	86,676	(13,824)
Miscellaneous	<u>71,503</u>	<u>71,503</u>	<u>384,886</u>	<u>313,383</u>
Total Revenues	28,469,409	29,469,409	30,464,697	995,288
Expenditures:				
Current				
General government	2,566,311	3,593,796	2,361,597	1,232,199
Public safety	2,666,629	2,565,163	2,570,694	(5,531)
Corrections	3,394,867	3,282,783	3,205,462	77,321
Human services	4,453,599	4,643,547	4,643,547	-
Cooperative extension	232,053	232,053	232,053	-
County farm	150,316	149,816	143,106	6,710
Regional appropriations	212,000	212,000	203,250	8,750
Nursing home	12,216,004	12,172,804	11,874,594	298,210
Debt service:				
Principal	1,712,834	1,712,834	1,712,834	-
Interest	<u>864,796</u>	<u>904,613</u>	<u>904,613</u>	<u>-</u>
Total Expenditures	<u>28,469,409</u>	<u>29,469,409</u>	<u>27,851,750</u>	<u>1,617,659</u>
Excess of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,612,947</u>	\$ <u>2,612,947</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2015

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 45,557	\$ 78,868
Total Assets	45,557	78,868
<u>LIABILITIES</u>		
Due to specific individuals	-	78,868
Total Liabilities	-	78,868
<u>NET POSITION</u>		
Net position	\$ 45,557	\$ -

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

COUNTY OF CARROLL, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

DECEMBER 31, 2015

	Private Purpose Trust <u>Funds</u>
Additions:	
Contributions	\$ 10,221
Interest income	<u>5</u>
Total additions	10,226
Deductions	
Other	<u>10,739</u>
Total deductions	<u>10,739</u>
Net increase	(513)
Net position:	
Beginning of year	<u>46,070</u>
End of year	<u>\$ 45,557</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The accounting policies of the County of Carroll, New Hampshire (the County) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Generally, all other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental fund:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

Private-Purpose Trust Funds are used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

Agency Funds are used to account for funds held by the County on behalf of others (e.g., inmate funds and patient funds).

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method.

F. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	8 - 25
Buildings and improvements	10 - 40
Infrastructure	25 – 50
Machinery and equipment	5 - 20
Vehicles	3 - 15

G. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The County's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the County (i.e., the County Delegation).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.

- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the County uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The County's budget represents functional appropriations by department as authorized by the County Delegation. The County adopts its budget under State regulations.

B. Budgetary Basis

The final budget appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures - (GAAP Basis)	\$ 30,275,850	\$ 27,739,630
To reverse assets purchased with capital lease proceeds	-	(76,727)
To reverse inter-department activity	188,847	188,847
Budgetary Basis	<u>\$ 30,464,697</u>	<u>\$ 27,851,750</u>

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. RSA 29:1, II states, "The amount of collected funds on deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus." The County does not have a deposit policy for custodial credit risk.

As of December 31, 2015, \$1,008,852 of the County's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. **Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$327,699 is composed of amounts from the Registry of Deeds surcharge fund and the Dube fund.

5. **Allowance for Doubtful Accounts and Contractual Allowances**

The allowance for doubtful accounts for Nursing Home receivables has been estimated at approximately \$200,000 at December 31, 2015. Nursing Home receivables are also reported net of contractual allowances.

6. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 1,611	\$ -	\$ -	\$ 1,611
Buildings and improvements	26,948	514	(772)	26,690
Infrastructure	3,876	-	-	3,876
Machinery and equipment	6,949	-	-	6,949
Vehicles	549	77	(59)	567
Total capital assets, being depreciated	39,933	591	(831)	39,693
Less accumulated depreciation for:				
Land improvements	(683)	(174)	-	(857)
Buildings and improvements	(7,258)	(1,103)	772	(7,589)
Infrastructure	(1,625)	(72)	-	(1,697)
Machinery and equipment	(3,016)	(467)	-	(3,483)
Vehicles	(381)	(54)	48	(387)
Total accumulated depreciation	(12,963)	(1,870)	820	(14,013)
Total capital assets, being depreciated, net	26,970	(1,279)	(11)	25,680
Capital assets, not being depreciated:				
Land	46	-	-	46
Construction in progress	514	-	(514)	-
Total capital assets, not being depreciated	560	-	(514)	46
Governmental activities capital assets, net	<u>\$ 27,530</u>	<u>\$ (1,279)</u>	<u>\$ (525)</u>	<u>\$ 25,726</u>

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

Governmental Activities:	
General government	\$ 124
Public safety	129
Corrections	210
County farm	5
Nursing home	1,402
Total depreciation expense - governmental activities	<u>\$ 1,870</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of assets by the County that are applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflows of resources balances as of December 31, 2015:

	<u>Governmental Activities</u>
Pension related:	
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 71,328
Contributions subsequent to the measurement date	<u>558,381</u>
Total	<u>\$ 629,709</u>

8. Accounts Payable

Accounts payable represents 2015 expenditures paid after December 31, 2015.

9. Anticipation Notes Payable

The following summarizes notes payable activity during 2015:

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Tax anticipation	\$ 17,000,000	01/02/15	1.57%	\$ -	\$ 15,000,000	\$ (15,000,000)	\$ -
Total				<u>\$ -</u>	<u>\$ 15,000,000</u>	<u>\$ (15,000,000)</u>	<u>\$ -</u>

On January 13, 2016, the County issued a \$18,500,000 tax anticipation note with a maturity date of December 31, 2016 and an interest rate of 2.37%.

10. Capital Lease Obligations

The County is the lessee of vehicles under capital leases expiring in various years through 2018. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2015:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 49,519	\$ 4,178	\$ 53,697
2017	31,942	2,033	33,975
2018	<u>19,539</u>	<u>772</u>	<u>20,311</u>
Total	<u>\$ 101,000</u>	<u>\$ 6,983</u>	<u>\$ 107,983</u>

Vehicles financed by capital lease payable totaling \$201,825 are reported in capital assets net of \$52,850 accumulated depreciation.

11. Long-Term Debt**A. General Obligation Bonds**

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/15</u>
Public improvement (rural development)	07/01/32	4.50%	\$ 133,158
Jail construction	07/15/17	4.10 - 4.50%	1,060,000
Nursing home construction	08/01/30	2.50 - 5.00%	<u>17,625,000</u>
Total Governmental Activities			<u>\$ 18,818,158</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2015 are as follows:

<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,712,834	\$ 712,278	\$ 2,425,112
2017	1,712,834	653,355	2,366,189
2018	1,182,834	582,418	1,765,252
2019	1,182,834	523,314	1,706,148
2020	1,182,834	487,713	1,670,547
2021 - 2025	5,914,170	1,737,088	7,651,258
2026 - 2030	5,914,170	689,868	6,604,038
Thereafter	15,648	880	16,528
Total	<u>\$ 18,818,158</u>	<u>\$ 5,386,914</u>	<u>\$ 24,205,072</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>1/1/15</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/15</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/15</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 20,531	\$ -	\$ (1,713)	\$ 18,818	\$ (1,713)	\$ 17,105
Bond premium	<u>880</u>	<u>-</u>	<u>(55)</u>	<u>825</u>	<u>(55)</u>	<u>770</u>
Subtotal	21,411	-	(1,768)	19,643	(1,768)	17,875
Other:						
Capital lease payable	94	77	(70)	101	(50)	51
Compensated absences	344	21	-	365	(202)	163
Net pension liability	<u>11,800</u>	<u>147</u>	<u>-</u>	<u>11,947</u>	<u>-</u>	<u>11,947</u>
Totals	<u>\$ 33,649</u>	<u>\$ 245</u>	<u>\$ (1,838)</u>	<u>\$ 32,056</u>	<u>\$ (2,020)</u>	<u>\$ 30,036</u>

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets by the County that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflows of resources balances as of December 31, 2015:

	<u>Governmental Activities</u>
Pension related:	
Differences between expected and actual experience	\$ 262,157
Net difference between projected and actual earnings on pension plan investments	319,288
Changes in proportion and differences between contributions and proportionate share of contributions	<u>441,395</u>
Total	<u>\$ 1,022,840</u>

13. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

14. New Hampshire Retirement System

The County follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System, a cost-sharing multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Section 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS' annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers. The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 26.38% of covered compensation. The County's contribution to

NHRS for the year ended December 31, 2015 was \$1,069,128, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS'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 benefit terms. Investments are reported at fair value.

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

At December 31, 2015, the County reported a liability of \$11,946,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the County's proportion was .31436387 percent.

At the most recent measurement date of June 30, 2015, the County's proportion was .30156592 percent, which was a decrease of .01279795 from its previous year proportion.

For the year ended December 31, 2015, the County recognized pension expense of \$691,192. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 262,157
Net difference between projected and actual earnings on pension plan investments	-	319,288
Changes in proportion and differences between contributions and proportionate share of contributions	71,328	441,395
Contributions subsequent to the measurement date	<u>558,381</u>	<u>-</u>
Total	<u>\$ 629,709</u>	<u>\$ 1,022,840</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2016	\$ (247,762)
2017	310,711
2018	310,711
2019	(43,629)
2020	63,100
Total	<u>\$ 393,131</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 - June 30, 2010.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	7.50	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	5.00	2.75%
Total alternative investments	25.00	
Total	100.00 %	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 15,726,167	\$ 11,946,616	\$ 8,724,526

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

15. 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; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

16. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

COUNTY OF CARROLL, NEW HAMPSHIRE

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

(Unaudited)

New Hampshire Retirement System					
<u>Year</u>	Proportion of the Net Pension <u>Liability</u>	Proportionate Share of the Net Pension <u>Liability</u>	Covered <u>Payroll</u>	Proportionate Share of the Net Pension Liability as a Percentage of <u>Covered Payroll</u>	Plan Fiduciary Net Position as a Percentage of the Total Pension <u>Liability</u>
December 31, 2015	0.30156592%	\$ 11,946,616	\$ 7,937,633	150.51%	65.47%

Information above is presented as of the most recent measurement date.

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

See Independent Auditors' Report.

COUNTY OF CARROLL, NEW HAMPSHIRE
 SCHEDULE OF PENSION CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

(Unaudited)

New Hampshire Retirement System					
<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	\$ 1,069,128	\$ 1,069,128	\$ -	\$ 8,278,451	12.91%

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

See Independent Auditors' Report.