

**COUNTY OF CARROLL, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
County of Carroll, New Hampshire

### Additional Offices:

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Carroll, New Hampshire (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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 audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of December 31, 2017, and the respective changes in financial position, and the respective budgetary comparison for all budgeted funds 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 the Management's Discussion and Analysis and the OPEB and Pension schedules appearing on pages 39 to 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.



October 19, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of 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, 2017.

### **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, liabilities, and deferred outflows/inflows of resources with the difference 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.

**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. The County's 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 year. Such information may be useful in evaluating the County'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. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided.

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

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County 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 year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(294,087) (i.e., net position), a change of \$1,729,108 in comparison to the prior year.
- As of the close of the current year, governmental funds reported ending fund balances of \$6,628,394, a change of \$1,870,282 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 years.

| <u>NET POSITION</u>              |                                    |                       |
|----------------------------------|------------------------------------|-----------------------|
|                                  | <u>Governmental<br/>Activities</u> |                       |
|                                  | <u>2017</u>                        | <u>2016</u>           |
| Current assets                   | \$ 8,610,913                       | \$ 6,811,009          |
| Noncurrent assets                | <u>23,471,557</u>                  | <u>24,705,288</u>     |
| Total assets                     | 32,082,470                         | 31,516,297            |
| Deferred outflows                | 2,779,819                          | 3,521,850             |
| Current liabilities              | 3,719,760                          | 4,321,458             |
| Noncurrent liabilities           | <u>31,034,984</u>                  | <u>32,041,190</u>     |
| Total liabilities                | 34,754,744                         | 36,362,648            |
| Deferred inflows                 | 401,632                            | 698,694               |
| Net position:                    |                                    |                       |
| Net investment in capital assets | 7,242,409                          | 6,720,905             |
| Restricted                       | 331,901                            | 325,211               |
| Unrestricted                     | <u>(7,868,397)</u>                 | <u>(9,069,311)</u>    |
| Total net position               | \$ <u>(294,087)</u>                | \$ <u>(2,023,195)</u> |

| <u>CHANGE IN NET POSITION</u>      |                                    |                |
|------------------------------------|------------------------------------|----------------|
|                                    | <u>Governmental<br/>Activities</u> |                |
|                                    | <u>2017</u>                        | <u>2016</u>    |
| Revenues:                          |                                    |                |
| Program revenues:                  |                                    |                |
| Charges for services               | \$ 11,588,935                      | \$ 11,242,055  |
| Operating grants and contributions | 1,422,095                          | 1,578,946      |
| General revenues:                  |                                    |                |
| County taxes                       | 17,603,592                         | 17,623,594     |
| Investment income                  | 1,753                              | 1,254          |
| Miscellaneous                      | <u>106,630</u>                     | <u>131,051</u> |
| Total revenues                     | 30,723,005                         | 30,576,900     |

(continued)

(continued)

CHANGE IN NET POSITION

|                                  | <u>Governmental<br/>Activities</u> |                       |
|----------------------------------|------------------------------------|-----------------------|
|                                  | <u>2017</u>                        | <u>2016</u>           |
| Expenses:                        |                                    |                       |
| General government               | 3,455,376                          | 3,273,223             |
| Public safety                    | 2,266,244                          | 2,279,415             |
| Corrections                      | 3,979,898                          | 3,718,457             |
| Human services                   | 4,872,571                          | 4,919,857             |
| Cooperative extension            | 236,424                            | 235,079               |
| Economic development             | 292,000                            | 217,000               |
| Nursing home                     | 13,192,594                         | 13,084,144            |
| Interest                         | 698,790                            | 813,061               |
| Total expenses                   | <u>28,993,897</u>                  | <u>28,540,236</u>     |
| Change in net position           | 1,729,108                          | 2,036,664             |
| Net position - beginning of year | <u>(2,023,195)</u>                 | <u>(4,059,859)</u>    |
| Net position - end of year       | <u>\$ (294,087)</u>                | <u>\$ (2,023,195)</u> |

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. At the close of the most recent fiscal year, total net position was \$(294,087), a change of \$1,729,108 from the prior year.

The largest portion of net position, \$7,242,409, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; 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, \$331,901, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(7,868,397), primarily resulting from the unfunded net pension liability (see Note 14).



**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,729,108. Key elements of this change are as follows:

|  |                     |
|--|---------------------|
| Governmental funds operating results                     | \$ 1,870,282        |
| Purchase of capital assets, net of capital lease         | 173,166             |
| Principal debt service in excess of depreciation expense | 348,339             |
| Change in accrued interest liability                     | 18,240              |
| Change in compensated absence liability                  | (112,378)           |
| Change in net OPEB obligation                            | (49,905)            |
| Change in net pension liability, net of deferrals        | <u>(518,636)</u>    |
| Total  | <u>\$ 1,729,108</u> |

#### **D. FINANCIAL ANALYSIS OF THE COUNTY'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 the County's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported ending fund balances of \$6,628,394, a change of \$1,870,282 in comparison to the prior year. Key elements of this change are as follows:

|   |                     |
|---|---------------------|
| General Fund revenues and other financing sources in excess of expenditures | \$ 1,862,499        |
| Grants Fund revenues in excess of expenditures                              | <u>7,783</u>        |
| Total   | <u>\$ 1,870,282</u> |

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$4,718,636, while total fund balance was \$6,620,611. 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 General Fund expenditures. Refer to the table below.

| <u>General Fund</u>     | <u>12/31/17</u> | <u>12/31/16</u> | <u>Change</u> | Percentage of<br>Total General<br>Fund Expenditures |
|-------------------------|-----------------|-----------------|---------------|---|
| Unassigned fund balance | \$ 4,718,636    | \$ 4,088,363    | \$ 630,273    | 16.4%   |
| Total fund balance      | \$ 6,620,611    | \$ 4,758,112    | \$ 1,862,499  | 23.0%   |

The total fund balance of all governmental funds (General Fund and Grants Fund) changed by \$1,870,282 during the current year. Key factors in this change are as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Revenues in excess of budget          | \$ 349,676          |
| Expenditures less than appropriations | 1,525,592           |
| Other GAAP adjustments                | <u>(4,986)</u>      |
| Total all funds                       | <u>\$ 1,870,282</u> |

#### **E. BUDGETARY HIGHLIGHTS**

There were no changes to the original budget during 2017.

#### **F. CAPITAL ASSETS AND DEBT**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$23,471,557. This investment in capital assets includes land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles, and construction in progress.

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

**Long-term debt.** At the end of the current year, total bonded debt outstanding was \$16,107,566, 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 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, 2017

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>       |                            |
| Current Assets:  |                            |
| Cash and short-term investments                        | \$ 6,639,783               |
| Restricted cash  | 324,118                    |
| Receivables:   |                            |
| Accounts, net  | 1,032,390                  |
| Intergovernmental                                      | 328,965                    |
| Other  | 68,408                     |
| Inventory  | 94,182                     |
| Prepaid expenses                                       | 123,067                    |
| Total Current Assets                                   | <u>8,610,913</u>           |
| Noncurrent Assets:                                     |                            |
| Capital Assets:  |                            |
| Land   | 45,552                     |
| Construction in progress                               | 49,965                     |
| Other capital assets, net of accumulated depreciation  | 23,376,040                 |
| Total Noncurrent Assets                                | <u>23,471,557</u>          |
| Total Assets   | 32,082,470                 |
| Deferred Outflows of Resources - Pension Related       | <u>2,779,819</u>           |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES        | 34,862,289                 |
| <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>   |                            |
| Current Liabilities:                                   |                            |
| Accounts payable                                       | 1,105,963                  |
| Accrued expenses                                       | 842,994                    |
| Other liabilities                                      | 33,562                     |
| Accrued interest                                       | 243,019                    |
| Current portion of noncurrent liabilities:             |                            |
| Bonds payable  | 1,237,840                  |
| Capital lease payable                                  | 58,813                     |
| Compensated absences                                   | 197,569                    |
| Total Current Liabilities                              | <u>3,719,760</u>           |
| Noncurrent Liabilities:                                |                            |
| Bonds payable, net of current portion                  | 14,869,726                 |
| Capital lease payable, net of current portion          | 62,769                     |
| Compensated absences, net of current portion           | 219,870                    |
| Net OPEB obligation                                    | 109,248                    |
| Net pension liability                                  | 15,773,371                 |
| Total Noncurrent Liabilities                           | <u>31,034,984</u>          |
| Total Liabilities                                      | 34,754,744                 |
| Deferred Inflows of Resources - Pension Related        | <u>401,632</u>             |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES    | 35,156,376                 |
| <b>NET POSITION</b>                                    |                            |
| Net investment in capital assets                       | 7,242,409                  |
| Restricted for grants and other statutory restrictions | 331,901                    |
| Unrestricted   | (7,868,397)                |
| TOTAL NET POSITION                                     | <u>\$ (294,087)</u>        |

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

|                                 |                      | <u>Program Revenues</u>         |   | <u>Net (Expenses)<br/>Revenues and<br/>Change in Net Position</u> |
|---------------------------------|----------------------|---------------------------------|---|---|
|                                 | <u>Expenses</u>      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                                |
| <b>Governmental Activities:</b> |                      |                                 |   |   |
| General government              | \$ 3,455,376         | \$ 1,018,795                    | \$ 21,512   | \$ (2,415,069)  |
| Public safety                   | 2,266,244            | 281,109                         | 60,658  | (1,924,477)   |
| Corrections                     | 3,979,898            | 230,779                         | 45,840  | (3,703,279)   |
| Human services                  | 4,872,571            | -                               | -   | (4,872,571)   |
| Cooperative extension           | 236,424              | -                               | -   | (236,424)   |
| Economic development            | 292,000              | -                               | -   | (292,000)   |
| Nursing home                    | 13,192,594           | 10,058,252                      | 1,294,085   | (1,840,257)   |
| Interest                        | <u>698,790</u>       | <u>-</u>                        | <u>-</u>  | <u>(698,790)</u>  |
| Total Governmental Activities   | <u>\$ 28,993,897</u> | <u>\$ 11,588,935</u>            | <u>\$ 1,422,095</u>                               | (15,982,867)  |
| <b>General Revenues:</b>        |                      |                                 |   |   |
| County taxes                    |                      |                                 |   | 17,603,592  |
| Investment income               |                      |                                 |   | 1,753   |
| Miscellaneous                   |                      |                                 |   | <u>106,630</u>  |
| Total general revenues          |                      |                                 |   | <u>17,711,975</u>   |
| Change in Net Position          |                      |                                 |   | 1,729,108   |
| <b>Net Position:</b>            |                      |                                 |   |   |
| Beginning of year               |                      |                                 |   | <u>(2,023,195)</u>  |
| End of year                     |                      |                                 |   | <u>\$ (294,087)</u>   |

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**DECEMBER 31, 2017**

|   | <u>General<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|------------------------|---|
| <b>ASSETS</b>                                       |                         |                        |   |
| Cash and short-term investments                     | \$ 6,639,783            | \$ -                   | \$ 6,639,783                            |
| Restricted cash                                     | 324,118                 | -                      | 324,118                                 |
| Receivables:  |                         |                        |   |
| Accounts, net                                       | 1,032,390               | -                      | 1,032,390                               |
| Intergovernmental                                   | 328,965                 | -                      | 328,965                                 |
| Other   | 68,408                  | -                      | 68,408                                  |
| Due from other funds                                | -                       | 7,783                  | 7,783                                   |
| Inventory   | 94,182                  | -                      | 94,182                                  |
| Prepaid expenses                                    | 123,067                 | -                      | 123,067                                 |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 8,610,913</b>     | <b>\$ 7,783</b>        | <b>\$ 8,618,696</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                |                         |                        |   |
| Liabilities:  |                         |                        |   |
| Accounts payable                                    | \$ 1,105,963            | \$ -                   | \$ 1,105,963                            |
| Accrued expenses                                    | 842,994                 | -                      | 842,994                                 |
| Due to other funds                                  | 7,783                   | -                      | 7,783                                   |
| Other liabilities                                   | 33,562                  | -                      | 33,562                                  |
| <b>Total Liabilities</b>                            | <b>1,990,302</b>        | <b>-</b>               | <b>1,990,302</b>                        |
| Fund Balances:                                      |                         |                        |   |
| Nonspendable:                                       |                         |                        |   |
| Inventory   | 94,182                  | -                      | 94,182                                  |
| Prepaid expenses                                    | 123,067                 | -                      | 123,067                                 |
| Restricted:   |                         |                        |   |
| Deeds surcharge account                             | 105,494                 | -                      | 105,494                                 |
| Dube fund   | 218,624                 | -                      | 218,624                                 |
| Remaining grant funds                               | -                       | 7,783                  | 7,783                                   |
| Assigned:   |                         |                        |   |
| Subsequent year budget - reduce taxes               | 1,000,000               | -                      | 1,000,000                               |
| Subsequent year budget - supplemental appropriation | 311,210                 | -                      | 311,210                                 |
| Encumbrances  | 49,398                  | -                      | 49,398                                  |
| Unassigned  | 4,718,636               | -                      | 4,718,636                               |
| <b>Total Fund Balances</b>                          | <b>6,620,611</b>        | <b>7,783</b>           | <b>6,628,394</b>                        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>          | <b>\$ 8,610,913</b>     | <b>\$ 7,783</b>        | <b>\$ 8,618,696</b>                     |

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, 2017

|   |                            |
|---|----------------------------|
| <b>Fund balances - governmental funds</b>   | <b>\$ 6,628,394</b>        |
| • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.   | 23,471,557                 |
| • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.  | (243,019)                  |
| • Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:   |                            |
| Bonds payable   | (16,107,566)               |
| Capital lease payable   | (121,582)                  |
| Compensated absences  | (417,439)                  |
| Net OPEB obligation   | (109,248)                  |
| • Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds. | <u>(13,395,184)</u>        |
| <b>Net position - governmental activities</b>   | <b>\$ <u>(294,087)</u></b> |

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, 2017

|  | <u>General<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|------------------------|---|
| <b>Revenues:</b>                                     |                         |                        |   |
| County taxes   | \$ 17,603,592           | \$ -                   | \$ 17,603,592                           |
| Nursing home   | 11,352,337              | -                      | 11,352,337                              |
| Charges for services                                 | 1,530,683               | -                      | 1,530,683                               |
| Intergovernmental                                    | 15,375                  | 112,635                | 128,010                                 |
| Investment income                                    | 1,753                   | -                      | 1,753                                   |
| Miscellaneous  | <u>51,624</u>           | <u>-</u>               | <u>51,624</u>                           |
| Total Revenues                                       | 30,555,364              | 112,635                | 30,667,999                              |
| <b>Expenditures:</b>                                 |                         |                        |   |
| Current:   |                         |                        |   |
| General government                                   | 3,232,592               | 29,040                 | 3,261,632                               |
| Public safety  | 2,150,890               | 45,283                 | 2,196,173                               |
| Corrections  | 3,619,196               | 30,529                 | 3,649,725                               |
| Human services                                       | 4,872,571               | -                      | 4,872,571                               |
| Cooperative extension                                | 236,424                 | -                      | 236,424                                 |
| Economic development                                 | 292,000                 | -                      | 292,000                                 |
| Nursing home   | 11,838,695              | -                      | 11,838,695                              |
| Capital outlay                                       | 106,420                 | -                      | 106,420                                 |
| Debt service:  |                         |                        |   |
| Principal  | 1,712,834               | -                      | 1,712,834                               |
| Interest   | <u>717,031</u>          | <u>-</u>               | <u>717,031</u>                          |
| Total Expenditures                                   | <u>28,778,653</u>       | <u>104,852</u>         | <u>28,883,505</u>                       |
| Excess (deficiency) of revenues<br>over expenditures | 1,776,711               | 7,783                  | 1,784,494                               |
| <b>Other Financing Sources (Uses):</b>               |                         |                        |   |
| Proceeds of capital leases                           | <u>85,788</u>           | <u>-</u>               | <u>85,788</u>                           |
| Total Other Financing Sources (Uses)                 | <u>85,788</u>           | <u>-</u>               | <u>85,788</u>                           |
| Change in Fund Balance                               | 1,862,499               | 7,783                  | 1,870,282                               |
| Fund Balances, at Beginning of Year                  | <u>4,758,112</u>        | <u>-</u>               | <u>4,758,112</u>                        |
| Fund Balances, at End of Year                        | <u>\$ 6,620,611</u>     | <u>\$ 7,783</u>        | <u>\$ 6,628,394</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, 2017**

|   |                            |
|---|----------------------------|
| <b>Changes in fund balances - governmental funds</b>  | <b>\$ 1,870,282</b>        |
| <ul style="list-style-type: none"><li>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:</li></ul>  |                            |
| Capital asset purchases   | 258,954                    |
| Depreciation  | (1,492,684)                |
| <ul style="list-style-type: none"><li>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:</li></ul> |                            |
| Repayments of bonds payable   | 1,712,834                  |
| Amortization of bond premium  | 55,006                     |
| Proceeds of capital lease payable   | (85,788)                   |
| Repayments of capital lease payable   | 73,183                     |
| <ul style="list-style-type: none"><li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>  |                            |
|   | 18,240                     |
| <ul style="list-style-type: none"><li>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:</li></ul>   |                            |
| Compensated absences  | (112,378)                  |
| Net OPEB obligation   | (49,905)                   |
| Net pension liability and related deferred outflows and inflows of resources  | <u>(518,636)</u>           |
| <b>Change in net position - governmental activities</b>   | <b><u>\$ 1,729,108</u></b> |

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

**COUNTY OF CARROLL, NEW HAMPSHIRE**

ALL BUDGETED FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2017

|   | <u>Budgeted Amounts</u>    |                         | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------------|-------------------------|---|---|
|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> |   |   |
| <b>Revenues:</b>                        |                            |                         |   |   |
| General Fund:                           |                            |                         |   |   |
| County taxes                            | \$ 17,603,592              | \$ 17,603,592           | \$ 17,603,592                             | \$ -  |
| Nursing home                            | 11,576,901                 | 11,576,901              | 11,546,152                                | (30,749)  |
| Charges for services                    | 1,261,159                  | 1,261,159               | 1,530,683                                 | 269,524   |
| Intergovernmental                       | 14,010                     | 14,010                  | 15,375                                    | 1,365   |
| Investment income                       | 476                        | 476                     | 1,753                                     | 1,277   |
| Miscellaneous                           | <u>20,500</u>              | <u>20,500</u>           | <u>51,624</u>                             | <u>31,124</u>   |
| Total General Fund                      | 30,476,638                 | 30,476,638              | 30,749,179                                | 272,541   |
| Grants Fund                             | <u>35,500</u>              | <u>35,500</u>           | <u>112,635</u>                            | <u>77,135</u>   |
| Total Revenues                          | 30,512,138                 | 30,512,138              | 30,861,814                                | 349,676   |
| <b>Expenditures:</b>                    |                            |                         |   |   |
| General Fund:                           |                            |                         |   |   |
| Current:                                |                            |                         |   |   |
| General government                      | 3,479,110                  | 3,479,110               | 3,209,067                                 | 270,043   |
| Public safety                           | 2,280,840                  | 2,280,840               | 2,125,926                                 | 154,914   |
| Corrections                             | 3,634,313                  | 3,634,313               | 3,576,096                                 | 58,217  |
| Human services                          | 5,249,306                  | 5,249,306               | 4,872,571                                 | 376,735   |
| Cooperative extension                   | 236,424                    | 236,424                 | 236,424                                   | -   |
| Economic development                    | 292,000                    | 292,000                 | 292,000                                   | -   |
| Nursing home                            | 12,620,455                 | 12,620,455              | 12,024,711                                | 595,744   |
| Capital outlay                          | 176,000                    | 176,000                 | 115,034                                   | 60,966  |
| Debt service:                           |                            |                         |   |   |
| Principal                               | 1,712,834                  | 1,712,834               | 1,712,834                                 | -   |
| Interest                                | <u>795,356</u>             | <u>795,356</u>          | <u>717,031</u>                            | <u>78,325</u>   |
| Total General Fund                      | 30,476,638                 | 30,476,638              | 28,881,694                                | 1,594,944   |
| Grants Fund                             | <u>35,500</u>              | <u>35,500</u>           | <u>104,852</u>                            | <u>(69,352)</u>   |
| Total Expenditures                      | 30,512,138                 | 30,512,138              | 28,986,546                                | 1,525,592   |
| Excess of revenues over<br>expenditures | \$ <u>-</u>                | \$ <u>-</u>             | \$ <u>1,875,268</u>                       | \$ <u>1,875,268</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, 2017**

|                                 | Private<br>Purpose<br>Trust<br>Funds | Agency<br>Funds |
|---------------------------------|--------------------------------------|-----------------|
| <b>ASSETS</b>                   |                                      |                 |
| Cash and short-term investments | \$ 33,485                            | \$ 93,860       |
| Total Assets                    | 33,485                               | 93,860          |
| <b>LIABILITIES</b>              |                                      |                 |
| Due to specific individuals     | -                                    | 93,860          |
| Total Liabilities               | -                                    | 93,860          |
| <b>NET POSITION</b>             |                                      |                 |
| Net position                    | \$ 33,485                            | \$ -            |

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**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

|                         | Private<br>Purpose<br>Trust<br>Funds |
|-------------------------|--------------------------------------|
| <b>Additions:</b>       |                                      |
| Contributions           | \$ 14,017                            |
| Interest income         | <u>4</u>                             |
| Total additions         | 14,021                               |
| <b>Deductions:</b>      |                                      |
| Other                   | <u>20,960</u>                        |
| Total deductions        | <u>20,960</u>                        |
| Net increase (decrease) | (6,939)                              |
| <b>Net position:</b>    |                                      |
| Beginning of year       | <u>40,424</u>                        |
| End of year             | \$ <u><u>33,485</u></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 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 2017, 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 County. 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 in 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. The effect of interfund activity has been eliminated from the government-wide financial statements.

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, certain expenditures, such as debt service, compensated absences, claims and judgments, and OPEB and pension, are recorded as expenditures only when they are due.

The County reports the following major governmental funds:

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The County reports the following fiduciary funds:

- *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. The interest earnings attributable to each fund type are included under investment income.

*E. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “due from/to other funds” (i.e., the current portion of interfund loans).

*F. Inventory*

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory includes dietary and housekeeping supplies for use at the nursing home, maintenance supplies, and corrections supplies.

*G. Capital Assets*

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, machinery and equipment, vehicles, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County 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 acquisition 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       |

#### *H. 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.

#### *I. 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.

#### *J. 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 current assets/deferred outflows and current liabilities/deferred inflows. The County reserves 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 are as follows:

- Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 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.



- Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the County (i.e., County Delegation).
- 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 received. This also includes fund balance voted to be used in the subsequent year.
- Unassigned funds are available to be spent in future periods. The County has made it a goal to maintain fund balance reserves (currently part of unassigned funds) equivalent to at least three months of current year net expenditures.

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 use, either through 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.

#### K. 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 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 line item transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

Budgetary data 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>All Budgeted Funds</u>  | <u>Revenues<br/>and Other<br/>Financing Sources</u> | <u>Expenditures<br/>and Other<br/>Financing Uses</u> |
|--|---|--|
| Revenues/Expenditures<br>(GAAP Basis)                                      | \$ 30,667,999                                       | \$ 28,883,505  |
| Other financing sources/uses<br>(GAAP Basis)                               | <u>85,788</u>                                       | <u>-</u>   |
| Subtotal (GAAP Basis)  | 30,753,787  | 28,883,505   |
| Reverse beginning of year appropriation<br>carryforwards from expenditures | -   | (54,384)   |
| Add end of year appropriation<br>carryforwards to expenditures             | -   | 49,398   |
| Reverse assets purchased with<br>capital lease proceeds                    | (85,788)  | (85,788)   |
| Reclassify inter-department activity                                       | <u>193,815</u>                                      | <u>193,815</u>                                       |
| Budgetary Basis  | <u>\$ 30,861,814</u>                                | <u>\$ 28,986,546</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, 2017, none 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 \$324,118 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 \$205,000 at December 31, 2017. Nursing Home receivables are also reported net of contractual allowances.

**6. Interfund Accounts**

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the December 31, 2017 balances in interfund receivable and payable accounts:

| <u>Fund</u>  | <u>Due From<br/>Other Funds</u> | <u>Due To<br/>Other Funds</u> |
|--------------|---------------------------------|-------------------------------|
| General Fund | \$ -                            | \$ 7,783                      |
| Grants Fund  | <u>7,783</u>                    | <u>-</u>                      |
| Total        | \$ <u>7,783</u>                 | \$ <u>7,783</u>               |

## 7. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

|  | Beginning<br>Balance | Increases       | Decreases       | Ending<br>Balance |
|--|----------------------|-----------------|-----------------|-------------------|
| <b>Governmental Activities:</b>              |                      |                 |                 |                   |
| Capital assets, being depreciated:           |                      |                 |                 |                   |
| Land improvements                            | \$ 1,611             | \$ -            | \$ -            | \$ 1,611          |
| Buildings and improvements                   | 26,748               | 25              | -               | 26,773            |
| Infrastructure                               | 3,876                | -               | -               | 3,876             |
| Machinery and equipment                      | 6,926                | 459             | -               | 7,385             |
| Vehicles                                     | 625                  | 86              | -               | 711               |
| Total capital assets, being depreciated      | 39,786               | 570             | -               | 40,356            |
| Less accumulated depreciation for:           |                      |                 |                 |                   |
| Land improvements                            | (1,031)              | (174)           | -               | (1,205)           |
| Buildings and improvements                   | (8,416)              | (826)           | -               | (9,242)           |
| Infrastructure                               | (1,769)              | (72)            | -               | (1,841)           |
| Machinery and equipment                      | (3,840)              | (340)           | -               | (4,180)           |
| Vehicles                                     | (431)                | (81)            | -               | (512)             |
| Total accumulated depreciation               | (15,487)             | (1,493)         | -               | (16,980)          |
| Total capital assets, being depreciated, net | 24,299               | (923)           | -               | 23,376            |
| Capital assets, not being depreciated:       |                      |                 |                 |                   |
| Land   | 46                   | -               | -               | 46                |
| Construction in progress                     | 360                  | -               | (310)           | 50                |
| Total capital assets, not being depreciated  | 406                  | -               | (310)           | 96                |
| Governmental activities capital assets, net  | <u>\$ 24,705</u>     | <u>\$ (923)</u> | <u>\$ (310)</u> | <u>\$ 23,472</u>  |

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

|  |                 |
|--|-----------------|
| <b>Governmental Activities:</b>                      |                 |
| General government                                   | \$ 127          |
| Public safety  | 96              |
| Corrections  | 221             |
| Nursing home   | 1,049           |
| Total depreciation expense - governmental activities | <u>\$ 1,493</u> |

## 8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, are more fully discussed in Note 14.

## 9. Anticipation Notes Payable

The following summarizes anticipation notes payable activity during 2017:

|                  | <u>Issue<br/>Amount</u> | <u>Issue<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Advances</u> | <u>Repayments</u> | <u>Balance<br/>End<br/>of Year</u> |
|------------------|-------------------------|-----------------------|--------------------------|--|-----------------|-------------------|------------------------------------|
| Tax anticipation | \$ 7,165,000            | 03/03/17              | 1.40%                    | \$ -                                     | \$ 7,165,000    | \$ (7,165,000)    | \$ -                               |
| Tax anticipation | \$ 6,835,000            | 03/03/17              | 1.89%                    | -  | 2,835,000       | (2,835,000)       | -                                  |
| Total            |                         |                       |                          | \$ -                                     | \$ 10,000,000   | \$ (10,000,000)   | \$ -                               |

On April 6, 2018, the County issued a Series A \$12,521,328 tax anticipation note with a maturity date of December 28, 2018 and an interest rate of 1.69%. On April 6, 2018, the County issued a Series B \$2,978,672 tax anticipation note with a maturity date of December 28, 2018 and an interest rate of 2.00%.

## 10. Capital Lease Obligations

The County is the lessee of vehicles under capital leases expiring in various years through 2020. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2017:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|--------------|
| 2018        | \$ 58,813        | \$ 5,010        | \$ 63,823    |
| 2019        | 40,892           | 2,620           | 43,512       |
| 2020        | 21,877           | 936             | 22,813       |
| Total       | \$ 121,582       | \$ 8,566        | \$ 130,148   |

Vehicles financed by capital leases payable totaling \$314,185 are reported in capital assets net of \$146,884 accumulated depreciation.

## 11. Long-Term Liabilities

### 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:

|  | Serial<br>Maturities | Interest<br>Rate(s) % | Amount<br>Outstanding<br>as of<br>12/31/17 |
|--|----------------------|-----------------------|--|
| <u>Governmental Activities:</u>        | <u>Through</u>       |                       |  |
| Public improvement (rural development) | 07/01/32             | 4.50%                 | \$ 117,490                                 |
| Nursing home construction              | 08/01/30             | 2.50 - 5.00%          | 15,275,000                                 |
| Total Governmental Activities          |                      |                       | <u>\$ 15,392,490</u>                       |

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2017 are as follows:

| <u>Governmental Activities:</u> |                      |                     |                      |
|---------------------------------|----------------------|---------------------|----------------------|
| <u>Year</u>                     | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
| 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                            | 1,182,834            | 440,360             | 1,623,194            |
| 2022                            | 1,182,834            | 390,070             | 1,572,904            |
| 2023 - 2027                     | 5,914,170            | 1,313,500           | 7,227,670            |
| 2028 - 2032                     | 3,564,150            | 464,562             | 4,028,712            |
| Total                           | <u>\$ 15,392,490</u> | <u>\$ 4,201,937</u> | <u>\$ 19,594,427</u> |

The General Fund has been designated as the source to repay the long-term general obligation debt outstanding as of December 31, 2017.

### C. Changes in General Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities (in thousands):

|                                | Total<br>Balance<br>1/1/17 | Additions | Reductions | Total<br>Balance<br>12/31/17 | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion<br>12/31/17 |
|--------------------------------|----------------------------|-----------|------------|------------------------------|----------------------------|--|
| <u>Governmental Activities</u> |                            |           |            |                              |                            |  |
| Bonds payable                  | \$ 17,105                  | \$ -      | \$ (1,713) | \$ 15,392                    | \$ (1,183)                 | \$ 14,209                                  |
| Bond premium                   | 770                        | -         | (55)       | 715                          | (55)                       | 660  |
| Subtotal                       | 17,875                     | -         | (1,768)    | 16,107                       | (1,238)                    | 14,869                                     |
| Other:                         |                            |           |            |                              |                            |  |
| Capital lease payable          | 109                        | 86        | (73)       | 122                          | (59)                       | 63   |
| Compensated absences           | 305                        | 112       | -          | 417                          | (197)                      | 220  |
| Net OPEB obligation            | 59                         | 97        | (47)       | 109                          | -                          | 109  |
| Net pension liability          | 15,700                     | 73        | -          | 15,773                       | -                          | 15,773                                     |
| Totals                         | \$ 34,048                  | \$ 368    | \$ (1,888) | \$ 32,528                    | \$ (1,494)                 | \$ 31,034                                  |

## **12. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the County that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pensions will be recognized in pension expense in future years and are more fully described in Note 14.

## **13. Other Post-Employment Benefits – OPEB (GASB 45)**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

### A. Plan Description

In addition to providing the pension benefits described, the County provides post-employment healthcare benefits for retired employees through the County's plan. As of January 1, 2016, the actuarial valuation date, approximately 15 retirees and 173 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The County provides medical benefits to retirees and their covered dependents. All active employees who retire from the County and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 100% of the cost of the health plan, as determined by the County. The County contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The County's 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the County's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the County's net OPEB obligation based on an actuarial valuation as of January 1, 2016.

|   |                   |
|---|-------------------|
| Annual Required Contribution (ARC)      | \$ 98,142         |
| Interest on net OPEB obligation         | 2,374             |
| Adjustment to ARC                       | <u>(3,432)</u>    |
| Annual OPEB cost                        | 97,084            |
| Contributions made                      | <u>(47,179)</u>   |
| Increase in net OPEB obligation         | 49,905            |
| Net OPEB obligation - beginning of year | <u>59,343</u>     |
| Net OPEB obligation - end of year       | <u>\$ 109,248</u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| Year | Annual<br>OPEB<br>Cost | Percentage of<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|------|------------------------|---|------------------------|
| 2017 | \$ 97,084              | 48.6%                                     | \$ 109,248             |
| 2016 | \$ 92,815              | 36.1%                                     | \$ 59,343              |



*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2016, the date of the most recent actuarial valuation, was as follows:

|   |                     |
|---|---------------------|
| Actuarial accrued liability (AAL)                 | \$ 690,114          |
| Actuarial value of plan assets                    | <u>-</u>            |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$ 690,114</u>   |
| Funded ratio (actuarial value of plan assets/AAL) | <u>0%</u>           |
| Covered payroll (active plan members)             | <u>\$ 7,706,848</u> |
| UAAL as a percentage of covered payroll           | <u>9.0%</u>         |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the County and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the entry age normal method was used. The actuarial value of assets was not determined, as the County has not advance funded its obligation. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 8.0%, which decreases to 5.0% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis.

#### **14. New Hampshire Retirement System (GASB 68)**

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 10.86% to 25.32% of covered compensation. The County's contribution to NHRS for the year ended December 31, 2017 was \$1,209,870, 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, 2017, the County reported a liability of \$15,773,371 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 December 31, 2016 (measured as of June 30, 2016), the County's proportion was .29524066%. At December 31, 2017 (measured as of June 30, 2017), the County's proportion was .32072781%, which was an increase of .02548715% from its previous year proportion.

For the year ended December 31, 2017, the County recognized pension expense of \$1,764,863. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 35,765                                     | \$ 200,750                                   |
| Changes of assumptions   | 1,583,855                                     | -  |
| Net difference between projected and actual earnings on pension plan investments                     | -   | 200,882                                      |
| Changes in proportion and differences between contributions and proportionate share of contributions | 525,105                                       | -  |
| Contributions subsequent to the measurement date   | <u>635,094</u>                                | <u>-</u>                                     |
| Total  | <u>\$ 2,779,819</u>                           | <u>\$ 401,632</u>                            |

\$635,094 reported as 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 2018. Other 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> |                       |
|--------------------------------|-----------------------|
| 2018                           | \$ (382,029)          |
| 2019                           | (759,376)             |
| 2020                           | (642,760)             |
| 2021                           | <u>41,072</u>         |
| Total                          | <u>\$ (1,743,093)</u> |

#### *F. Actuarial Assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.5 percent per year  |
| Salary increases          | 5.6 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-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

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

The long-term expected rate of return on 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<br>Allocation<br>Percentage | Weighted Average<br>Average Long-<br>Term Expected<br>Real Rate of<br>Return |
|----------------------------------|------------------------------------|--|
| Large Cap Equities               | 22.50 %                            | 4.25%  |
| Small/Mid Cap Equities           | 7.50                               | 4.50%  |
| Total domestic equities          | 30.00                              |  |
| Int'l Equities (unhedged)        | 13.00                              | 4.50%  |
| Emerging Int'l Equities          | 7.00                               | 6.25%  |
| Total international equities     | 20.00                              |  |
| Core Bonds                       | 5.00                               | 0.75%  |
| Short Duration                   | 2.00                               | -0.25%   |
| Global Multi-Sector Fixed Income | 11.00                              | 2.11%  |
| Absolute Return Fixed Income     | 7.00                               | 1.26%  |
| Total fixed income               | 25.00                              |  |
| Private Equity                   | 5.00                               | 6.25%  |
| Private Debt                     | 5.00                               | 4.75%  |
| Opportunistic                    | 5.00                               | 2.84%  |
| Total alternative investments    | 15.00                              |  |
| Real Estate                      | 10.00                              | 3.25%  |
| Total                            | 100.00 %                           |  |

#### G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. This is a decrease of .50% from the previous valuation and has contributed to the significant deferred outflow of resources balance for changes of assumptions. 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.

*H. 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 7.25%, 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 (6.25%) or one percentage-point higher (8.25%) than the current rate:

| 1%<br>Decrease<br>(6.25%) | Current<br>Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|---------------------------|-------------------------------------|------------------------|
| \$ 20,780,624             | \$ 15,773,371                       | \$ 11,670,125          |

*I. 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 County 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 years.

**16. Commitments and Contingencies**

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the County is involved. The County's management is of the opinion that the potential future settlement of these issues 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.

**17. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the County beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria and for employers whose employees are provided with defined benefit contribution OPEB.



**COUNTY OF CARROLL, NEW HAMPSHIRE**

**SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**

**REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017

(Unaudited)

**Other Post-Employment Benefits**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>Normal<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as<br>a Percent-<br>age of<br>Covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| 1/1/2016                       | \$ -                                   | \$ 690,114   | \$ 690,114                         | 0%                       | \$ 7,706,848              | 9.0%   |

See Independent Auditors' Report.

**COUNTY OF CARROLL, NEW HAMPSHIRE**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

| <b>New Hampshire Retirement System</b> |                             |  |   |                            |  |   |
|--|-----------------------------|--|---|----------------------------|--|---|
| <u>Fiscal<br/>Year</u>                 | <u>Measurement<br/>Date</u> | <u>Proportion<br/>of the<br/>Net Pension<br/>Liability</u> | <u>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</u> | <u>Covered<br/>Payroll</u> | <u>Proportionate<br/>Share of the<br/>Net Pension Liability<br/>as a Percentage of<br/>Covered Payroll</u> | <u>Plan Fiduciary<br/>Net Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</u> |
| December 31, 2015                      | June 30, 2015               | 0.30156592%  | \$ 11,946,616   | \$ 7,937,633               | 150.51%  | 65.47%  |
| December 31, 2016                      | June 30, 2016               | 0.29524066%  | \$ 15,699,704   | \$ 8,080,062               | 194.30%  | 58.30%  |
| December 31, 2017                      | June 30, 2017               | 0.32072781%  | \$ 15,773,371   | \$ 8,193,800               | 192.50%  | 62.66%  |

*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 (GASB 68)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2017**  
(Unaudited)

| <b>New Hampshire Retirement System</b> |  |   |   |                            |   |  |
|--|--|---|---|----------------------------|---|--|
| <u>Fiscal<br/>Year</u>                 | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered<br/>Payroll</u> | <u>Contributions as<br/>a Percentage<br/>of Covered<br/>Payroll</u> |  |
| December 31, 2015                      | \$ 1,069,128                                       | \$ 1,069,128  | \$ -  | \$ 8,278,451               | 12.91%  |  |
| December 31, 2016                      | \$ 1,093,858                                       | \$ 1,093,858  | \$ -  | \$ 7,706,848               | 14.19%  |  |
| December 31, 2017                      | \$ 1,209,870                                       | \$ 1,209,870  | \$ -  | \$ 8,508,488               | 14.22%  |  |

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

See Independent Auditors' Report.