

COUNTY OF CARROLL, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2018

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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, 2018, and the related notes to 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.

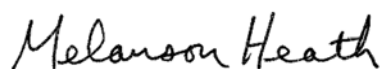
Opinions

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 County of Carroll, New Hampshire, as of December 31, 2018, 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 Management's Discussion and Analysis and certain pension and OPEB schedules 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 9, 2019

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, 2018.

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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements, and (4) required supplementary information.

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 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 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 are reported in 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 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.

Required supplementary 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, total liabilities and deferred inflows exceeded assets and deferred outflows by \$(763,121) (i.e., net position), a change of \$1,157,413 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,833,219, a change of \$1,204,825 in comparison to the prior year.
- At the end of the current year, unassigned fund balance of the General Fund was \$4,718,527, a change of \$(109) 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.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 9,692,012	\$ 8,610,913
Noncurrent assets	<u>22,113,184</u>	<u>23,471,557</u>
Total assets	31,805,196	32,082,470
Deferred outflows of resources	2,013,243	2,779,819
Current liabilities	3,634,086	3,719,760
Noncurrent liabilities	<u>29,996,555</u>	<u>31,034,984</u>
Total liabilities	33,630,641	34,754,744
Deferred inflows of resources	950,919	401,632
Net position:		
Net investment in capital assets	7,123,895	7,242,409
Restricted	282,296	331,901
Unrestricted	<u>(8,169,312)</u>	<u>(7,868,397)</u>
Total net position	\$ <u>(763,121)</u>	\$ <u>(294,087)</u>

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 13,318,314	\$ 11,588,935
Operating grants and contributions	157,541	1,422,095
General revenues:		
County taxes	16,521,886	17,603,592
Investment income	1,827	1,753
Miscellaneous	<u>96,751</u>	<u>106,630</u>
Total revenues	30,096,319	30,723,005

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Expenses:		
General government	3,538,679	3,455,376
Public safety	2,372,588	2,266,244
Corrections	3,949,274	3,979,898
Human services	4,826,059	4,872,571
Cooperative extension	238,937	236,424
Economic development	327,750	292,000
Nursing home	13,080,476	13,192,594
Interest	<u>605,143</u>	<u>698,790</u>
Total expenses	<u>28,938,906</u>	<u>28,993,897</u>
Change in net position	1,157,413	1,729,108
Net position - beginning of year, as restated *	<u>(1,920,534)</u>	<u>(2,023,195)</u>
Net position - end of year	<u>\$ (763,121)</u>	<u>\$ (294,087)</u>

* Net position reported above for 2017 was not restated to reflect the implementation of GASB 75, as the County applied GASB 75 prospectively.

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 year, total net position was \$(763,121), a change of \$1,157,413 from the prior year.

The largest portion of net position, \$7,123,895, 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, \$282,296, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is in a deficit, primarily a result of the implementation of GASB 68 and GASB 75 related to the net pension liability and the net OPEB liability, respectively.

Governmental activities for the year resulted in a change in net position of \$1,157,413. Key elements of this change are as follows:

Governmental funds operating results	\$ 1,204,825
Purchase of capital assets, net of capital lease	67,486
Depreciation expense in excess of principal debt service	(185,998)
Change in accrued interest liability	24,647
Change in compensated absence liability	92,678
Change in net pension liability and related deferrals	6,427
Change in net OPEB liability and related deferrals	<u>(52,652)</u>
Total	<u>\$ 1,157,413</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.

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, the combined ending fund balance for all governmental funds was \$7,833,219, a change of \$1,204,825 in comparison to the prior year. Elements of this change relate to the following operating results:

General Fund	\$ 1,209,959
Grants Fund	<u>(5,134)</u>
Total	<u>\$ 1,204,825</u>

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$4,718,527, while total fund balance was \$7,830,570. 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>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Unassigned fund balance	\$ 4,718,527	\$ 4,718,636	\$ (109)
Total fund balance	\$ 7,830,570	\$ 6,620,611	\$ 1,209,959

As a percentage of total budgeted expenditures:

Unassigned fund balance	15.3%	16.4%	-1.1%
Total fund balance	25.4%	23.0%	2.4%

The fund balance of the General Fund changed by \$1,209,959 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 570,748
Expenditures less than appropriations	1,684,460
Use of fund balance as a funding source	(1,311,210)
Other GAAP adjustments	<u>265,961</u>
Total	<u>\$ 1,209,959</u>

E. BUDGETARY HIGHLIGHTS

There were no increases to the original budget during 2018; however, there were line item changes approved by the County Delegation.

F. CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$22,113,184. 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 \$14,869,727, 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, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and short-term investments	\$ 7,480,082
Restricted cash	279,647
Receivables:	
Accounts, net	1,372,548
Intergovernmental	339,558
Other	14,311
Inventory	96,419
Prepaid expenses	109,447
Total Current Assets	<u>9,692,012</u>
Noncurrent Assets:	
Capital Assets:	
Land	45,552
Construction in progress	15,000
Other capital assets, net of accumulated depreciation	22,052,632
Total Noncurrent Assets	<u>22,113,184</u>
Total Assets	31,805,196
Deferred Outflows of Resources:	
Related to pensions	1,743,070
Related to OPEB	270,173
Total Deferred Outflows of Resources	<u>2,013,243</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	33,818,439
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current Liabilities:	
Accounts payable	1,091,216
Accrued expenses	734,143
Other liabilities	33,434
Accrued interest	218,372
Current portion of noncurrent liabilities:	
Bonds payable	1,237,840
Capital lease payable	65,294
Compensated absences	253,787
Total Current Liabilities	<u>3,634,086</u>
Noncurrent Liabilities:	
Bonds payable, net of current portion	13,631,887
Capital lease payable, net of current portion	54,268
Compensated absences, net of current portion	70,972
Net pension liability	14,184,395
Net OPEB liability	2,055,033
Total Noncurrent Liabilities	<u>29,996,555</u>
Total Liabilities	33,630,641
Deferred Inflows of Resources:	
Related to pensions	947,433
Related to OPEB	3,486
Total Deferred Inflows of Resources	<u>950,919</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	34,581,560
NET POSITION	
Net investment in capital assets	7,123,895
Restricted for grants and other statutory restrictions	282,296
Unrestricted	(8,169,312)
TOTAL NET POSITION	<u>\$ (763,121)</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, 2018

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 3,538,679	\$ 1,039,011	\$ 39,594	\$ (2,460,074)
Public safety	2,372,588	329,364	14,005	(2,029,219)
Corrections	3,949,274	232,927	103,942	(3,612,405)
Human services	4,826,059	-	-	(4,826,059)
Cooperative extension	238,937	-	-	(238,937)
Economic development	327,750	-	-	(327,750)
Nursing home	13,080,476	11,717,012	-	(1,363,464)
Interest	605,143	-	-	(605,143)
Total Governmental Activities	<u>\$ 28,938,906</u>	<u>\$ 13,318,314</u>	<u>\$ 157,541</u>	(15,463,051)
General Revenues:				
				16,521,886
County taxes				1,827
Investment income				96,751
Miscellaneous				<u>96,751</u>
Total General Revenues				<u>16,620,464</u>
Change in Net Position				1,157,413
Net Position:				
Beginning of year, as restated				<u>(1,920,534)</u>
End of year				<u>\$ (763,121)</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2018

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 7,480,082	\$ -	\$ 7,480,082
Restricted cash	279,647	-	279,647
Receivables:			
Accounts, net	1,372,548	-	1,372,548
Intergovernmental	309,480	30,078	339,558
Other	14,311	-	14,311
Due from other funds	27,429	-	27,429
Inventory	96,419	-	96,419
Prepaid expenses	109,447	-	109,447
TOTAL ASSETS	\$ 9,689,363	\$ 30,078	\$ 9,719,441
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,091,216	\$ -	\$ 1,091,216
Accrued expenses	734,143	-	734,143
Due to other funds	-	27,429	27,429
Other liabilities	33,434	-	33,434
Total Liabilities	1,858,793	27,429	1,886,222
Fund Balances:			
Nonspendable:			
Inventory	96,419	-	96,419
Prepaid expenses	109,447	-	109,447
Restricted:			
Deeds surcharge account	57,759	-	57,759
Dube fund	221,888	-	221,888
Remaining grant funds	-	2,649	2,649
Assigned:			
Subsequent year budget - reduce taxes	2,208,342	-	2,208,342
IDN funding	147,927	-	147,927
Encumbrances	270,261	-	270,261
Unassigned	4,718,527	-	4,718,527
Total Fund Balances	7,830,570	2,649	7,833,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,689,363	\$ 30,078	\$ 9,719,441

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, 2018

Total governmental fund balances	\$ 7,833,219
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	22,113,184
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(218,372)
<ul style="list-style-type: none">• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(14,869,727)
Capital lease payable	(119,562)
Compensated absences	(324,759)
Net pension liability and related deferred outflows/inflows of resources	(13,388,758)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(1,788,346)</u>
Net position of governmental activities	\$ <u>(763,121)</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
County taxes	\$ 16,521,886	\$ -	\$ 16,521,886
Nursing home	11,717,012	-	11,717,012
Charges for services	1,601,303	-	1,601,303
Intergovernmental	14,005	143,536	157,541
Investment income	1,827	-	1,827
Miscellaneous	<u>41,748</u>	<u>-</u>	<u>41,748</u>
Total Revenues	29,897,781	143,536	30,041,317
Expenditures:			
Current:			
General government	3,351,375	27,250	3,378,625
Public safety	2,380,815	-	2,380,815
Corrections	3,591,524	121,420	3,712,944
Human services	4,826,059	-	4,826,059
Cooperative extension	238,937	-	238,937
Economic development	327,750	-	327,750
Nursing home	12,170,089	-	12,170,089
Capital outlay	70,516	-	70,516
Debt service:			
Principal	1,182,834	-	1,182,834
Interest	<u>629,790</u>	<u>-</u>	<u>629,790</u>
Total Expenditures	<u>28,769,689</u>	<u>148,670</u>	<u>28,918,359</u>
Excess (deficiency) of revenues over expenditures	1,128,092	(5,134)	1,122,958
Other Financing Sources (Uses):			
Proceeds of capital leases	<u>81,867</u>	<u>-</u>	<u>81,867</u>
Total Other Financing Sources (Uses)	<u>81,867</u>	<u>-</u>	<u>81,867</u>
Change in Fund Balance	1,209,959	(5,134)	1,204,825
Fund Balances, at Beginning of Year	<u>6,620,611</u>	<u>7,783</u>	<u>6,628,394</u>
Fund Balances, at End of Year	<u>\$ 7,830,570</u>	<u>\$ 2,649</u>	<u>\$ 7,833,219</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, 2018

Change in fund balances - governmental funds **\$ 1,204,825**

- Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset purchases	149,353
Depreciation	(1,507,726)

- The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of bonds payable	1,182,834
Amortization of bond premium	55,006
Proceeds of capital lease payable	(81,867)
Repayments of capital lease payable	83,888

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

24,647

- Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	92,678
Net pension liability and related deferred outflows/inflows of resources	6,427
Net OPEB liability and related deferred outflows/inflows of resources	<u>(52,652)</u>

Change in net position - governmental activities **\$ 1,157,413**

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>		
Revenues:				
General Fund:				
County taxes	\$ 16,521,886	\$ 16,521,886	\$ 16,521,886	\$ -
Nursing home	11,449,180	11,449,180	11,906,884	457,704
Charges for services	1,499,989	1,499,989	1,601,303	101,314
Intergovernmental	14,000	14,000	14,005	5
Investment income	1,350	1,350	1,827	477
Miscellaneous	30,500	30,500	41,748	11,248
Total General Fund	29,516,905	29,516,905	30,087,653	570,748
Grants Fund	902,539	902,539	143,536	(759,003)
Total Revenues	30,419,444	30,419,444	30,231,189	(188,255)
Expenditures:				
General Fund:				
Current:				
General government	3,516,236	3,571,965	3,356,374	215,591
Public safety	2,472,483	2,472,483	2,294,648	177,835
Corrections	3,794,548	3,757,819	3,604,947	152,872
Human services	5,250,000	5,250,000	4,826,059	423,941
Cooperative extension	238,937	238,937	238,937	-
Economic development	327,750	327,750	327,750	-
Nursing home	13,044,509	13,025,509	12,445,600	579,909
Capital outlay	338,400	338,400	236,716	101,684
Debt service:				
Principal	1,182,834	1,182,834	1,182,834	-
Interest	662,418	662,418	629,790	32,628
Total General Fund	30,828,115	30,828,115	29,143,655	1,684,460
Grants Fund	902,539	902,539	148,670	753,869
Total Expenditures	31,730,654	31,730,654	29,292,325	2,438,329
Excess (deficiency) of revenues over expenditures before other financing sources	(1,311,210)	(1,311,210)	938,864	2,250,074
Other Financing Sources:				
Use of fund balance	1,311,210	1,311,210	1,311,210	-
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ 2,250,074	\$ 2,250,074

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, 2018

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and short-term investments	\$ <u>45,856</u>	\$ <u>110,540</u>
Total Assets	45,856	110,540
 LIABILITIES		
Due to others	<u>-</u>	<u>110,540</u>
Total Liabilities	<u>-</u>	<u>110,540</u>
 NET POSITION		
Total net position held in trust	\$ <u><u>45,856</u></u>	\$ <u><u>-</u></u>

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, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 16,599
Interest income	<u>4</u>
Total additions	16,603
Deductions:	
Other	<u>4,232</u>
Total deductions	<u>4,232</u>
Net increase	12,371
Net position:	
Beginning of year	<u>33,485</u>
End of year	<u><u>\$ 45,856</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 significant accounting policies:

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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 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.

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*. 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. 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 pension and OPEB costs are recorded as expenditures only when payment is 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.

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. Agency funds are categorized as fiduciary funds and are used to account for money held by the County on behalf of others (e.g., inmate funds and nursing home resident funds). Agency funds report only asset and liabilities and, therefore, have no measurement focus.

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.

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).

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.

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

Compensated Absences

It is the County's policy to permit certain employees to accumulate earned but unused vacation and sick pay benefits. All vested vacation and sick pay is accrued when incurred in the government-wide 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.

Long-Term Liabilities

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.

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* – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Committed* – Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority (i.e., County Delegation).
- *Assigned* – Represents amounts that are constrained by the County's intent to use these resources for a specific purpose. 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* – Represents amounts that are available to be spent in future periods and deficit funds.

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.

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

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.

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.

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 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 and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 30,041,317	\$ 28,918,359
Other financing sources/uses (GAAP Basis)	<u>81,867</u>	<u>-</u>
Subtotal (GAAP Basis)	30,123,184	28,918,359
Reverse beginning of year appropriation carryforwards from expenditures	-	(4,300)
Add end of year appropriation carryforwards to expenditures	-	270,261
Reverse capital lease proceeds	(81,867)	(81,867)
Reclassify inter-department activity	<u>189,872</u>	<u>189,872</u>
Budgetary Basis	\$ <u>30,231,189</u>	\$ <u>29,292,325</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, 2018, 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 \$279,647 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, 2018. 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, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 27,429	\$ -
Grants Fund	<u>-</u>	<u>27,429</u>
Total	\$ <u>27,429</u>	\$ <u>27,429</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 1,611	\$ -	\$ -	\$ 1,611
Buildings and improvements	26,773	50	-	26,823
Infrastructure	3,876	-	-	3,876
Machinery and equipment	7,385	41	-	7,426
Vehicles	<u>711</u>	<u>93</u>	<u>(29)</u>	<u>775</u>
Total capital assets, being depreciated	40,356	184	(29)	40,511
Less accumulated depreciation for:				
Land improvements	(1,205)	(174)	-	(1,379)
Buildings and improvements	(9,242)	(825)	-	(10,067)
Infrastructure	(1,841)	(72)	-	(1,913)
Machinery and equipment	(4,180)	(343)	-	(4,523)
Vehicles	<u>(512)</u>	<u>(94)</u>	<u>29</u>	<u>(577)</u>
Total accumulated depreciation	<u>(16,980)</u>	<u>(1,508)</u>	<u>29</u>	<u>(18,459)</u>
Total capital assets, being depreciated, net	23,376	(1,324)	-	22,052
Capital assets, not being depreciated:				
Land	46	-	-	46
Construction in progress	<u>50</u>	<u>15</u>	<u>(50)</u>	<u>15</u>
Total capital assets, not being depreciated	<u>96</u>	<u>15</u>	<u>(50)</u>	<u>61</u>
Governmental activities capital assets, net	\$ <u>23,472</u>	\$ <u>(1,309)</u>	\$ <u>(50)</u>	\$ <u>22,113</u>

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

General government	\$ 137
Public safety	105
Corrections	231
Nursing home	<u>1,035</u>
Total depreciation expense	<u>\$ 1,508</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 pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

9. Tax Anticipation Notes Payable

The following summarizes tax anticipation notes payable activity during 2018:

<u>Issue Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
\$ 12,521,328	04/06/18	12/28/18	1.69%	\$ -	\$ 5,021,328	\$ (5,021,328)	\$ -
\$ 2,978,672	04/06/18	12/28/18	2.00%	<u>-</u>	<u>2,978,672</u>	<u>(2,978,672)</u>	<u>-</u>
Total				<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ (8,000,000)</u>	<u>\$ -</u>

On April 19, 2019, the County issued a \$13,131,532 tax anticipation note with a maturity date of December 31, 2019 and an interest rate of 2.79%.

10. Capital Lease Obligations

The County is the lessee of vehicles under capital leases expiring in various years through 2021. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2018:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 65,294	\$ 3,928	\$ 69,222
2020	46,522	2,001	48,523
2021	<u>7,746</u>	<u>261</u>	<u>8,007</u>
Total	<u>\$ 119,562</u>	<u>\$ 6,190</u>	<u>\$ 125,752</u>

Vehicles financed by capital leases payable totaling \$322,577 are reported in capital assets net of \$153,462 accumulated depreciation.

Subsequent to December 31, 2018, the County entered into a 17 year capital lease agreement not to exceed \$3,443,264, with an interest rate of 3.6121%, related to the purchase and installation of equipment to improve electric efficiency throughout the County's buildings.

11. Long-Term Liabilities

General Obligation Bonds

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/18
Public improvement (rural development)	07/01/32	4.50%	\$ 109,656
Nursing home construction	08/01/30	2.50 - 5.00%	<u>14,100,000</u>
Total Governmental Activities			<u>\$ 14,209,656</u>

Future Debt Service

Annual payments to retire all general obligation bonds outstanding as of December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,182,834	\$ 523,315	\$ 1,706,149
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	1,182,834	339,780	1,522,614
2024 - 2028	5,914,170	1,113,456	7,027,626
2029 - 2032	<u>2,381,316</u>	<u>144,169</u>	<u>2,525,485</u>
Total	<u>\$ 14,209,656</u>	<u>\$ 3,438,863</u>	<u>\$ 17,648,519</u>

The General Fund has been designated as the source to repay the general obligation bonds outstanding as of December 31, 2018.

Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/18	Additions	Reductions	Total Balance 12/31/18	Less Current Portion	Equals Long-Term Portion 12/31/18
Bonds payable	\$ 15,392	\$ -	\$ (1,183)	\$ 14,209	\$ (1,183)	\$ 13,026
Bond premium	715	-	(55)	660	(55)	605
Subtotal	16,107	-	(1,238)	14,869	(1,238)	13,631
Other:						
Capital lease payable	122	82	(84)	120	(65)	55
Compensated absences	417	-	(92)	325	(254)	71
Net pension liability	15,773	-	(1,589)	14,184	-	14,184
Net OPEB liability *	1,736	319	-	2,055	-	2,055
Totals	\$ 34,155	\$ 401	\$ (3,003)	\$ 31,553	\$ (1,557)	\$ 29,996

*As restated for GASB 75.

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 pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

13. 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).

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 Sections 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.

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.

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 11.38% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2018 were \$1,259,428, which was equal to the annual required contribution.

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' 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.

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

At December 31, 2018, the County reported a liability of \$14,184,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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 the most recent measurement date of June 30, 2018, the County's proportion was .29457526%, which was a decrease of .02615255% from its previous year proportion.

For the year ended December 31, 2018, the County recognized pension expense of \$1,251,748. In addition, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 113,217	\$ 114,852
Changes of assumptions	981,630	-
Net difference between projected and actual earnings on pension plan investments	-	328,239
Changes in proportion and differences between contributions and proportionate share of contributions	-	504,342
Contributions subsequent to the measurement date	<u>648,223</u>	<u>-</u>
Total	<u>\$ 1,743,070</u>	<u>\$ 947,433</u>

\$648,223 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 2019. 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>		
2019	\$	406,738
2020		303,616
2021		(317,560)
2022		<u>(245,380)</u>
Total	\$	<u>147,414</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.6%, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	<u>7.00</u>	1.14%
Total fixed income	25.00	
Private Equity	5.00	6.25%
Private Debt	5.00	4.25%
Opportunistic	<u>5.00</u>	2.15%
Total alternative investments	<u>15.00</u>	
Real Estate	<u>10.00</u>	3.25%
Total	<u><u>100.00</u></u> %	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 18,872,454	\$ 14,184,395	\$ 10,255,659

Pension Plan Fiduciary Net Position

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

14. Other Post-Employment Benefits – OPEB (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 establishes standards for recognizing and measuring assets, liabilities, deferred outflows/inflows of resources, and expenditures related to other post-employment benefits (OPEB) liabilities and identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

County OPEB Plan

Plan Description

The County indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the County who participate in the single-employer plan pay 100% of the healthcare premiums to participate in the County's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees, due to the age of consideration. This increased rate is an implicit subsidy the County pays for the retirees.

The County's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

The County provides post-employment healthcare benefits for certain eligible retirees and their covered spouses. Benefits are provided through the County's self-funded insurance plan that is administered by a third-party.

Membership Data

As of January 1, 2018, the valuation date, OPEB plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>166</u>
Total participants covered by OPEB plan	<u>167</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018 and measured as of December 31, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.44%
Healthcare cost trend rates	
Year 1 Inflation Rate	10.00%
Year 2 Inflation Rate	9.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2028
Salary increases	2.50%

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20 year AA municipal bond rate as of January 1, 2018.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2017 (Base Year 2006).

Changes in the Total OPEB Liability

Total OPEB liability at December 31, 2017	\$ 940,153
Service cost	66,058
Interest	32,037
Assumption changes	(62,732)
Benefit payments	<u>(17,717)</u>
Net Changes	<u>17,646</u>
Total OPEB liability at December 31, 2018	<u>\$ 957,799</u>

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

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,063,513	\$ 957,799	\$ 865,160

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

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$843,088	\$957,799	\$1,094,464

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

For the year ended December 31, 2018, the County recognized OPEB expense of \$130,316. At December 31, 2018, the County reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 139,207	\$ -
Change in assumptions	<u>3,855</u>	<u>-</u>
Total	<u>\$ 143,062</u>	<u>\$ -</u>

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

Year ended December 31:

2019	\$ 32,221
2020	32,221
2021	32,221
2022	32,221
2023	<u>14,178</u>
Total	<u>\$ 143,062</u>

New Hampshire Retirement System Medical Subsidy Plan

Plan Description

In addition to the County's OPEB plan discussed above, the County participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan (MSP). The NHRS administers is a cost-sharing, multiple-employer defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. The four membership groups are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www.nhrs.org>.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries

of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly medical subsidy rates are:

1 Person -	\$375.56
2 Person -	\$751.12
1 Person Medicare Supplement -	\$236.84
2 Person Medicare Supplement -	\$473.68

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The County contributed 0.30% of gross payroll for Group I employees and 4.10% of gross payroll for Group II fire and police department members. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the medical subsidy plan.

Actuarial Assumptions and Other Inputs

The County's proportionate share of the NHRS medical subsidy as of December 31, 2018 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.5% per year
Wage inflation	3.25% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net OPEB plan investment expense including inflation
Discount rate	7.25%

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The County's proportionate share of the net OPEB liability for the NHRS MSP as of the measurement date of June 30, 2018 was \$1,097,234, representing 0.23965152%.

For the year ended December 31, 2018, the County recognized expense related to the NHRS medical subsidy of \$366,430. At December 31, 2018, the County reported related deferred inflows and outflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,441	\$ -
Change in proportion	63,898	-
Net difference between projected and actual investment earnings	-	3,486
Contributions subsequent to the measurement date	<u>56,772</u>	<u>-</u>
Total	<u>\$ 127,111</u>	<u>\$ 3,486</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the year will be included as a reduction of the net OPEB liability in 2019.

Other amounts reported as deferred outflows and (inflows) of resources related to the net OPEB liability will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	
2019	\$ 69,251
2020	(1,088)
2021	(1,088)
2022	<u>(222)</u>
Total	<u>\$ 66,853</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one

percentage-point lower or one percentage-point higher than the current discount rate:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 1,142,006	\$ 1,097,234	\$ 971,820

Healthcare Cost Trend Rate

Health care cost trend rates are not applicable given that the benefits are fixed stipends.

Consolidation of OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the County's total OPEB liability and related deferred outflows/inflows, and the County's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2018:

	<u>Net</u> <u>OPEB</u> <u>Liability</u>	<u>Total</u> <u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Total</u> <u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Total</u> <u>OPEB</u> <u>Expense</u>
County OPEB Plan	\$ 957,799	\$ 143,062	\$ -	\$ 130,316
NHRS Medical Subsidy Plan	<u>1,097,234</u>	<u>127,111</u>	<u>3,486</u>	<u>366,430</u>
Total	<u>\$ 2,055,033</u>	<u>\$ 270,173</u>	<u>\$ 3,486</u>	<u>\$ 496,746</u>

15. Commitments and Contingencies

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

Encumbrances – At year-end, the County's General Fund had \$270,261 in encumbrances that will be honored in 2019.

16. Beginning Net Position Restatement

The beginning (January 1, 2018) net position of the County has been restated from the previous year to conform to GASB Statement No. 75. In accordance with GASB Statement No. 75, the County has elected to apply the standard prospectively and not recalculate OPEB related deferred outflows and inflows for prior periods.

	Governmental <u>Activities</u>
As previously reported	\$ (294,087)
GASB 75 implementation	<u>(1,626,447)</u>
As restated	<u><u>\$ (1,920,534)</u></u>

COUNTY OF CARROLL, NEW HAMPSHIRE

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

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension 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%
December 31, 2018	June 30, 2018	0.29457526%	\$ 14,184,395	\$ 8,534,565	166.20%	64.73%

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, 2018

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2015	\$ 1,069,128	\$ 1,069,128	\$ -	\$ 8,278,451	12.91%
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%
December 31, 2018	\$ 1,259,428	\$ 1,259,428	\$ -	\$ 8,599,083	14.65%

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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Fiscal</u> <u>Year</u>	<u>Measurement</u> <u>Date</u>	<u>Proportion</u> <u>of the</u> <u>Net OPEB</u> <u>Liability</u>	<u>Proportionate</u> <u>Share of the</u> <u>Net OPEB</u> <u>Liability</u>	<u>Covered</u> <u>Payroll</u>	<u>Proportionate</u> <u>Share of the</u> <u>Net OPEB</u> <u>Liability as a</u> <u>Percentage of</u> <u>Covered Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>Percentage</u> <u>of the Net</u> <u>OPEB Liability</u>
December 31, 2018	June 30, 2018	0.23965152%	\$1,097,234	\$8,534,565	12.86%	7.53%

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 OPEB CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>	
December 31, 2018	\$ 107,570	\$ 107,570	\$ -	\$ 8,599,083	1.25%	

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

SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018

(Unaudited)

County of Carroll, New Hampshire OPEB Plan

Schedule of Changes in Total OPEB Liability*

	<u>2018</u>
Total OPEB liability - beginning	\$ 940,153
Changes for the year:	
Service cost	66,058
Interest	32,037
Assumption changes	(62,732)
Benefit payments	<u>(17,717)</u>
Net change in total OPEB liability	<u>17,646</u>
Total OPEB liability - ending	<u><u>\$ 957,799</u></u>

*Does not include New Hampshire Retirement Medical Subsidy.

Schedule of Contributions*

	<u>2018</u>
Actuarially determined contribution	\$ 115,105
Contributions in relation to the actuarially determined contribution	<u>(17,717)</u>
Contribution deficiency (excess)	<u><u>\$ 97,388</u></u>

*Does not include New Hampshire Retirement Medical Subsidy.

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

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.