

COUNTY OF CARROLL, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
December 31, 2021
and
Independent Auditor's Report

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Schedule of Findings and Questioned Costs

COUNTY OF CARROLL, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
County of Carroll, New Hampshire

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire (the County), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County of Carroll, New Hampshire's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Carroll, New Hampshire and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Carroll, New Hampshire's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Carroll, New Hampshire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Carroll, New Hampshire's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in the County's proportionate share of the net OPEB liability, schedule of County OPEB contributions, schedule of changes in the County's total OPEB liability and related ratios, schedule of changes in the County's proportionate share of the net pension liability, and schedule of County pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2023, on our consideration of the County of Carroll, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Carroll, New Hampshire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Carroll, New Hampshire's internal control over financial reporting and compliance.

Vachon Clukay & Company PC

Manchester, New Hampshire
August 10, 2023

EXHIBIT A
COUNTY OF CARROLL, NEW HAMPSHIRE
Statement of Net Position
December 31, 2021

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 16,433,712
Investments	227,775
Accounts receivable, net	1,230,864
Due from other governments	377,204
Prepaid items	180,024
Total Current Assets	<u>18,449,579</u>
Noncurrent Assets:	
Deposit on asset	55,278
Capital assets:	
Non-depreciable capital assets	4,220,406
Depreciable capital assets, net	20,333,785
Total Noncurrent Assets	<u>24,609,469</u>
Total Assets	<u>43,059,048</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on debt refunding	62,290
Deferred outflows of resources related to OPEB liability	228,907
Deferred outflows of resources related to net pension liability	3,475,455
Total Deferred Outflows of Resources	<u>3,766,652</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	435,219
Accrued liabilities	910,446
Due to other governments	632,826
Advances from grantors	4,742,847
Current portion of bonds payable	1,172,000
Current portion of capital leases payable	202,565
Total Current Liabilities	<u>8,095,903</u>
Noncurrent Liabilities:	
Bonds payable	14,596,141
Capital leases payable	2,835,569
Compensated absences payable	543,305
OPEB liability	2,289,169
Net pension liability	14,014,886
Total Noncurrent Liabilities	<u>34,279,070</u>
Total Liabilities	<u>42,374,973</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB liability	11,768
Deferred inflows of resources related to net pension liability	4,257,520
Total Deferred Inflows of Resources	<u>4,269,288</u>
NET POSITION	
Net investment in capital assets	10,112,813
Restricted	79,892
Unrestricted (deficit)	(10,011,266)
Total Net Position	<u>\$ 181,439</u>

See accompanying notes to the basic financial statements

EXHIBIT B
COUNTY OF CARROLL, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 7,788,006	\$ 1,551,601	\$ 39,524		\$ (6,196,881)
Public safety and corrections	5,712,726	621,772	522,178	\$ 199,678	(4,369,098)
Human services	5,462,399		34,626		(5,427,773)
Cooperative extension services	288,786				(288,786)
Economic development	444,150				(444,150)
Nursing home	12,284,718	8,843,752	3,276,400		(164,566)
Interest and fiscal charges	417,375				(417,375)
Total governmental activities	<u>\$ 32,398,160</u>	<u>\$ 11,017,125</u>	<u>\$ 3,872,728</u>	<u>\$ 199,678</u>	<u>(17,308,629)</u>
General revenues:					
					17,645,223
					13,843
					234,250
					<u>17,893,316</u>
					584,687
					<u>(403,248)</u>
					<u>\$ 181,439</u>

See accompanying notes to the basic financial statements

EXHIBIT C
COUNTY OF CARROLL, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2021

	General <u>Fund</u>	Grant <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 11,601,686	\$ 4,754,976	\$ 77,050	\$ 16,433,712
Investments	227,775			227,775
Accounts receivable, net	1,228,022		2,842	1,230,864
Due from other governments	135,505	241,699		377,204
Due from other funds	350,901			350,901
Prepaid items	180,024			180,024
Total Assets	<u>\$ 13,723,913</u>	<u>\$ 4,996,675</u>	<u>\$ 79,892</u>	<u>\$ 18,800,480</u>
LIABILITIES				
Accounts payable	\$ 425,939	\$ 9,280		\$ 435,219
Accrued liabilities	636,064	487		636,551
Due to other governments	632,826			632,826
Advances from grantors		4,742,847		4,742,847
Unearned revenue	6,092	234,304		240,396
Due to other funds		350,901		350,901
Total Liabilities	<u>1,700,921</u>	<u>5,337,819</u>	<u>\$ -</u>	<u>7,038,740</u>
FUND BALANCES				
Nonspendable	180,024			180,024
Restricted	4,247,329		79,892	4,327,221
Committed	150,226			150,226
Assigned	83,736			83,736
Unassigned (deficit)	7,361,677	(341,144)		7,020,533
Total Fund Balances (deficit)	<u>12,022,992</u>	<u>(341,144)</u>	<u>79,892</u>	<u>11,761,740</u>
Total Liabilities and Fund Balances	<u>\$ 13,723,913</u>	<u>\$ 4,996,675</u>	<u>\$ 79,892</u>	<u>\$ 18,800,480</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
COUNTY OF CARROLL, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 11,761,740
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,609,469
Losses on debt refundings are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	62,290
Revenue is recognized on an accrual basis in the statement of net position, not the modified accrual basis.	240,396
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to OPEB liability	228,907
Deferred outflows of resources related to net pension liability	3,475,455
Deferred inflows of resources related to OPEB liability	(11,768)
Deferred inflows of resources related to net pension liability	(4,257,520)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(15,768,141)
Capital leases payable	(3,038,134)
Accrued interest on long-term obligations	(273,895)
Compensated absences payable	(543,305)
OPEB liability	(2,289,169)
Net pension liability	<u>(14,014,886)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 181,439</u>

See accompanying notes to the basic financial statements

EXHIBIT D
COUNTY OF CARROLL, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General <u>Fund</u>	Grant <u>Fund</u>	Nonmajor Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 17,645,223			\$ 17,645,223
Intergovernmental	3,276,400	\$ 1,415,980		4,692,380
Charges for services	10,979,238		\$ 37,887	11,017,125
Interest and investment income	8,911	4,879	53	13,843
Miscellaneous	<u>228,158</u>			<u>228,158</u>
Total Revenues	<u>32,137,930</u>	<u>1,420,859</u>	<u>37,940</u>	<u>33,596,729</u>
Expenditures:				
Current operations:				
General government	8,332,593	38,599	63,388	8,434,580
Public safety and corrections	5,615,684	373,204		5,988,888
Human services	5,364,933	97,226		5,462,159
Economic development	444,150			444,150
Cooperative extension services	288,786			288,786
Nursing home	11,361,816	428,037		11,789,853
Capital outlay	102,884			102,884
Debt service:				
Principal retirement	1,377,565			1,377,565
Interest and fiscal charges	<u>361,750</u>			<u>361,750</u>
Total Expenditures	<u>33,250,161</u>	<u>937,066</u>	<u>63,388</u>	<u>34,250,615</u>
Excess revenues over (under) expenditures	<u>(1,112,231)</u>	<u>483,793</u>	<u>(25,448)</u>	<u>(653,886)</u>
Other financing sources (uses):				
Bond issuance	4,337,000			4,337,000
Bond premium	663,000			663,000
Refunding bond issuance	10,768,141			10,768,141
Refunding bond payment	<u>(10,768,141)</u>			<u>(10,768,141)</u>
Total Other financing sources (uses)	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Net change in fund balances	3,887,769	483,793	(25,448)	4,346,114
Fund Balances (deficit) at beginning of year, as restated	<u>8,135,223</u>	<u>(824,937)</u>	<u>105,340</u>	<u>7,415,626</u>
Fund Balances (deficit) at end of year	<u>\$ 12,022,992</u>	<u>\$ (341,144)</u>	<u>\$ 79,892</u>	<u>\$ 11,761,740</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
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, 2021

Net Change in Fund Balances - Governmental Funds (Exhibit D) \$ 4,346,114

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlays and depreciation expense in the current period are as follows:

Capital outlays	1,470,274
Depreciation expense	(1,239,979)
Reduction in deposit on asset	(54,831)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (613,882)

Proceeds from issuances of long-term obligations are reported as other financing sources in the governmental funds, but a long-term debt issuance increases long-term liabilities in the statement of net position. Current year long-term issuances are as follows:

Bond issuance	(4,337,000)
Refunding bond issuance	(10,768,141)

Governmental funds report the effect of bond issuance premiums and losses on debt refundings when the debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt. Current year activity is as follows:

Bond premium issuance	(663,000)
Amortization of bond issuance premium	14,736

Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows:

Bond principal paid	1,175,000
Refunding bond principal paid	10,768,141
Capital lease principal paid	210,310

In the statement of activities, interest is accrued on outstanding long-term debt payable, whereas in governmental funds, an interest expenditure is reported when due. (70,083)

Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.

Net changes in OPEB	2,903
Net changes in pension	380,860

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. These expenses are from the following activities:

Compensated absences	(36,735)
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Change in Net Position of Governmental Activities (Exhibit B) \$ 584,687

See accompanying notes to the basic financial statements

EXHIBIT E
COUNTY OF CARROLL, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 2,032,790
Total Assets	<u>2,032,790</u>
LIABILITIES	
Accounts payable	141,907
Due to other governments	<u>1,754,014</u>
Total Liabilities	<u>1,895,921</u>
NET POSITION	
Restricted for:	
Individuals	<u>136,869</u>
Total Net Position	<u>\$ 136,869</u>

See accompanying notes to the basic financial statements

EXHIBIT F
COUNTY OF CARROLL, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS:	
Amounts collected for individuals	\$ 356,308
Fees collected for other governments	<u>16,540,761</u>
Total Additions	<u>16,897,069</u>
DEDUCTIONS:	
Beneficiary payments to individuals	405,702
Payments of fees to other governments	<u>16,540,761</u>
Total Deductions	<u>16,946,463</u>
Change in net position	(49,394)
Net Position - beginning of year, as restated	<u>186,263</u>
Net Position - end of year	<u>\$ 136,869</u>

See accompanying notes to the basic financial statements

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Carroll, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The County of Carroll, New Hampshire (the County) was established in 1840 under the laws of the State of New Hampshire. The County boundaries include nineteen New Hampshire municipalities located in central New Hampshire. The County operates under the Commissioner/Delegation form of government and provides services as authorized by state statutes.

The financial statements include those of the various departments governed by the Commissioners and other officials with financial responsibility. The County has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County employs the use of two categories of funds: governmental and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the County's major governmental funds:

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

The *Grant Fund* is used to account for the financial resources related to various state and federal grants and the related expenditures.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The County maintains one type of fiduciary fund: custodial funds. The County's custodial funds are held and administered by the County for the benefit of others; the assets are not available to support the County or its programs. The County's custodial funds account for inmate funds, nursing home resident funds, and the Registry of Deeds funds.

Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the County are included on the Statement of Net Position.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services and interest on investments.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors.

2. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate.

Investments

Investments are stated at their fair value in all funds. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

Accounts Receivable

The County uses the reserve method for accounting for bad debts. It is the County's policy to directly charge off uncollectible receivables when management determines the receivable will not be collected. General Fund accounts receivable as of December 31, 2021 are recorded net of an allowance for uncollectible receivables of \$205,000.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021 are recorded as prepaid items. Prepaid items are recognized using the consumption method.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The County maintains a capitalization threshold of \$5,000 for its governmental activities, except for its nursing home. The capitalization threshold of the nursing home is \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	<u>Description</u>	<u>Years</u>
	Land improvements	8-25
	Buildings and improvements	10-40
	Infrastructure	25-50
	Equipment	5-20
	Vehicles	3-15

Loss on Debt Refunding

Debt refundings that result in a difference between the reacquisition price of old debt and the net carrying value of the old debt have been reported in the accompanying financial statements as a loss on debt refunding. The loss on debt refunding is amortized as a component of interest expense over the remaining life of the related refunding debt using the effective interest rate method.

Compensated Absences

Employees earn vacation leave as they provide services. Provision is made in the annual budget for vacation leave. Pursuant to County personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation. Upon resignation, employees will be paid for any accrued and entitled vacation leave at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period or upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premium.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair-value, except for non-registered commingled funds at net asset value (NAV) as a practical expedient to estimate fair value.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The County has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- Nonspendable Fund Balance: Amounts that are not in a spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- Restricted Fund Balance: Amounts that can only be spent for the specific purposes stipulated by external resource providers (such as grantors) or the enabling legislation (federal or state law). Restrictions may be changed or lifted only with the consent of the resource providers or the enabling legislation.
- Committed Fund Balance: Amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision making authority (annual meeting of the County Delegation). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally.
- Assigned Fund Balance: Amounts that the County intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". Items that would fall under this type of fund balance classification would be certain encumbrances.
- Unassigned Fund Balance: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another governmental fund is also classified as "unassigned".

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Spending Prioritization

In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed resources should be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Level of Unassigned Fund Balance

The County’s policy is to maintain a minimum unassigned fund balance of 8% of the County’s annual gross appropriations up to a maximum of 15%.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources /uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

As of December 31, 2021, the Grant Fund had a deficit fund balance of (\$341,144) due to the “sixty day rule” for revenue recognition. Grant receivables that are uncollected sixty days after year end amount to \$234,304 and have been included as unearned revenue on the Balance Sheet – Governmental Funds (Exhibit C).

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 16,433,712
Investments	227,775
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>2,032,790</u>
	<u>\$ 18,694,277</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Deposits and investments at December 31, 2021 consist of the following:

Cash on hand	\$ 1,375
Deposits with financial institutions	<u>18,692,902</u>
	<u>\$ 18,694,277</u>

The County's investment policy states that any excess funds which are not immediately needed for the purpose of expenditure may be invested in the New Hampshire Deposit Public Investment Pool, certificates of deposit, and United States government obligations as approved by the County Commissioners.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy states that securities purchased from any bank or dealer including appropriate collateral shall be placed with an independent third party for custodial safekeeping. Of the County's deposits with financial institutions at year end, \$6,509,410 was collateralized by securities held by the bank in the bank's name. Additionally, County deposits in the amount of \$9,003,664 was uninsured and uncollateralized. Subsequent to year end, the uninsured account was identified and collateralized.

NOTE 4—CAPITAL ASSETS

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

	Balance <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2021</u>
Capital assets not depreciated:				
Land	\$ 45,552			\$ 45,552
Construction in process	<u>3,333,155</u>	\$ 841,699		<u>4,174,854</u>
Total capital assets not being depreciated	<u>3,378,707</u>	<u>841,699</u>	<u>\$ -</u>	<u>4,220,406</u>
Other capital assets:				
Land improvements	1,728,196			1,728,196
Buildings and improvements	27,186,538	29,604		27,216,142
Sewer system	2,367,672			2,367,672
Water system	1,508,026			1,508,026
Equipment	8,541,890	411,373		8,953,263
Vehicles	<u>882,134</u>	<u>187,598</u>	<u>(61,734)</u>	<u>1,007,998</u>
Total other capital assets at historical cost	<u>42,214,456</u>	<u>628,575</u>	<u>(61,734)</u>	<u>42,781,297</u>
Less accumulated depreciation for:				
Land improvements	(1,527,420)	(33,327)		(1,560,747)
Buildings and improvements	(11,703,943)	(755,011)		(12,458,954)
Sewer system	(1,455,910)	(18,788)		(1,474,698)
Water system	(622,560)	(30,161)		(652,721)
Equipment	(5,191,863)	(324,407)		(5,516,270)
Vehicles	<u>(767,571)</u>	<u>(78,285)</u>	<u>61,734</u>	<u>(784,122)</u>
Total accumulated depreciation	<u>(21,269,267)</u>	<u>(1,239,979)</u>	<u>61,734</u>	<u>(22,447,512)</u>
Total other capital assets, net	<u>20,945,189</u>	<u>(611,404)</u>	<u>-</u>	<u>20,333,785</u>
Total capital assets, net	<u>\$ 24,323,896</u>	<u>\$ 230,295</u>	<u>\$ -</u>	<u>\$ 24,554,191</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Depreciation expense was charged to governmental functions as follows:

General government	\$ 151,359
Public safety and corrections	327,526
Nursing home	<u>761,094</u>
Total	<u>\$ 1,239,979</u>

Amortization of assets held under capital leases is included within depreciation expense. The balance of the assets acquired through capital leases as of December 31, 2021 is as follows:

Construction in process	\$ 3,387,986
Equipment	322,577
Less accumulated depreciation for:	
Equipment	<u>(233,599)</u>
Total	<u>\$ 3,476,964</u>

NOTE 5—INTERFUND BALANCES

The County maintains self-balancing funds; however, most cash transactions flow through the General Fund. In order to obtain accountability for each fund, the County utilizes interfund receivable and payable accounts. As of December 31, 2021, the Grant Fund has an interfund payable of \$350,901 to the General Fund.

NOTE 6—SHORT-TERM OBLIGATIONS

The County issues tax anticipation notes during the year. These borrowings, classified as direct placements, are to assist in the payment of operating expenses during the year and are guaranteed to be repaid from the tax revenue received in December from the Towns within the County.

The changes in short-term debt obligations for the year ended December 31, 2021 are as follows:

Balance - January 1, 2021	\$ -
Additions	10,000,000
Reductions	<u>(10,000,000)</u>
Balance - December 31, 2021	<u>\$ -</u>

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the County's long-term obligations for the year ended December 31, 2021 are as follows:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	(as restated)				
	Balance			Balance	Due Within
	<u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2021</u>	<u>One Year</u>
Bonds payable	\$ 11,750,000	\$ 13,337,000	\$ (11,750,000)	\$ 13,337,000	\$ 1,172,000
Unamortized bond premium	<u>145,587</u>	<u>2,431,141</u>	<u>(145,587)</u>	<u>2,431,141</u>	
Total Bonds payable	11,895,587	15,768,141	(11,895,587)	15,768,141	1,172,000
Capital leases payable	3,248,444		(210,310)	3,038,134	202,565
Compensated absences payable	<u>506,570</u>	<u>124,585</u>	<u>(87,850)</u>	<u>543,305</u>	
Total governmental activities	<u>\$ 15,650,601</u>	<u>\$ 15,892,726</u>	<u>\$ (12,193,747)</u>	<u>\$ 19,349,580</u>	<u>\$ 1,374,565</u>

Payments on the bonds payable and capital leases payable of the governmental activities are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

Bonds Payable

Bonds payable at December 31, 2021 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Serial Maturities <u>Through</u>	Balance at <u>12/31/2021</u>
<i>General Obligation Bonds:</i>				
2021 Refunding bond issue	\$ 9,000,000	5.10%	February 2030	\$ 9,000,000
2021 Series bond issue	4,337,000	2.10-5.10%	February 2036	<u>4,337,000</u>
				13,337,000
			Add: Unamortized bond premium	<u>2,431,141</u>
			Total Bonds Payable	<u>\$ 15,768,141</u>

General obligation bonds are direct obligations of the County, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within County boundaries.

Debt service requirements to retire bonds payable for governmental activities at December 31, 2021 are as follows:

Year Ending <u>December 31,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 1,172,000	\$ 748,643	\$ 1,920,643
2023	1,270,000	547,730	1,817,730
2024	1,280,000	482,705	1,762,705
2025	1,290,000	417,170	1,707,170
2026	1,300,000	351,125	1,651,125
2027-2031	5,585,000	777,413	6,362,413
2032-2036	<u>1,440,000</u>	<u>88,335</u>	<u>1,528,335</u>
	13,337,000	3,413,121	16,750,121
Add: Unamortized bond premium	<u>2,431,141</u>		<u>2,431,141</u>
	<u>\$ 15,768,141</u>	<u>\$ 3,413,121</u>	<u>\$ 19,181,262</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of asset acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. The following is the individual capital lease payable at December 31, 2021:

Energy savings performance upgrade, due in quarterly installments of \$50,641; interest at 2.69%, through December 2036	<u>\$ 3,038,134</u>
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Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2021 are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 202,565	\$ 80,768	\$ 283,333
2023	202,565	75,244	277,809
2024	202,565	69,916	272,481
2025	202,565	64,194	266,759
2026	202,565	58,670	261,235
2027-2031	1,012,825	210,614	1,223,439
2032-2036	<u>1,012,484</u>	<u>72,451</u>	<u>1,084,935</u>
	<u>\$ 3,038,134</u>	<u>\$ 631,857</u>	<u>\$ 3,669,991</u>

NOTE 8—CURRENT REFUNDING OF DEBT

During the year ended December 31, 2021, the County issued \$9,000,000 of general obligations bonds for a current refunding of \$10,575,000 of outstanding bonds (old debt). Net refunding proceeds of \$10,768,141 was used to retire old debt principal of \$10,575,000 and old debt interest of \$193,141.

The current refunding of debt resulted in the recognition of an economic gain of \$1,442,034. The County in effect, reduced its aggregate debt service payments by \$1,521,458 over the next nine years through the current refunding.

NOTE 9—OTHER POSTEMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 54,449	\$ 919,861	\$ 11,768	\$ 27,569
Single Employer Plan	<u>174,458</u>	<u>1,369,308</u>	<u> </u>	<u>185,582</u>
Total	<u>\$ 228,907</u>	<u>\$ 2,289,169</u>	<u>\$ 11,768</u>	<u>\$ 213,151</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$217,139.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

Benefits Provided

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

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

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The County's contribution rates for the covered payroll of public safety employees and political subdivision employees were 3.66% and 0.29%, respectively, through June 30, 2021, and 3.21% and 0.31%, respectively, thereafter. Contributions to the OPEB plan for the County were \$103,456 for the year ended December 31, 2021. Employees are not required to contribute to the OPEB plan.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

At December 31, 2021, the County reported a liability of \$919,861 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2020. The County's proportion of the net OPEB liability was based on actual contributions by the County during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2021, the County's proportion was approximately 0.2297 percent, which was a decrease of 0.0023 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the County recognized OPEB expense of \$27,569. At December 31, 2021, the County reported deferred outflows of resources and deferred inflows 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		\$ 192
Net difference between projected and actual earnings on OPEB plan investments		11,491
Changes in proportion and differences between County contributions and proportionate share of contributions		85
County contributions subsequent to the measurement date	\$ 54,449	<u> </u>
Totals	<u>\$ 54,449</u>	<u>\$ 11,768</u>

The County reported \$54,449 as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2022	\$ (2,905)
2023	(2,414)
2024	(2,706)
2025	<u>(3,743)</u>
	<u>\$ (11,768)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments, adjusted for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The long-term expected rate of return on OPEB 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.

Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the County’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75%, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	<u>1% Decrease</u>	Current <u>Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 999,961	\$ 919,861	\$ 850,169

SINGLE EMPLOYER PLAN

Plan Description

The County of Carroll, New Hampshire administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The County provides medical benefits to its eligible retirees and their covered spouses. Employees other than police hired prior to July 1, 2011 are eligible to retire at age 60 regardless of years of creditable service, age 50 with at least 10 years of creditable service, or at any age if they have at least 20 years of creditable service and the sum of their age and years of service is at least 70. Employees other than police hired on or after July 1, 2011 are eligible to retire at age 65 regardless of years of creditable service, or age 60 with at least 30 years of creditable service. Police officers hired prior to July 1, 2011 are eligible to retire at age 45 with at least 20 years of Group II creditable service, or at age 60 regardless of their years of creditable service. Police officers hired on or after July 1, 2011 are eligible to retire at age 50 with 25 years of Group II creditable service or at age 60 regardless of years of creditable service. Retirees and their covered spouses are required to pay 100% of the cost of the premium. The valuation does not account for the cost of benefits to retirees or their spouses after age 65. Surviving spouses continue to receive coverage after the death of the eligible retired employee but are required to pay 100% of the premium.

Employees Covered By Benefit Terms

At January 1, 2020, the census collection date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>143</u>
	<u><u>146</u></u>

Total OPEB Liability

The County's total OPEB liability of \$1,369,308 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the January 1, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Salary increases	2.50%
Discount rate	2.12%
Healthcare cost trend rates:	
2020 Initial Rate	9.93%
2021 Trend	9.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030

The discount rate was based on the index provided by the *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on SOA RP-2014 Total Dataset Mortality with Scale MP-2020 (Base Year 2006).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2021	\$ 1,307,951
Changes for the year:	
Service cost	85,393
Interest	27,186
Benefit payments	<u>(51,222)</u>
Net changes	<u>61,357</u>
Balance at December 31, 2021	<u><u>\$ 1,369,308</u></u>

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	Discount Rate		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,485,755	\$ 1,369,308	\$ 1,258,743

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

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates		
	<u>1% Decrease</u>	<u>Baseline</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,190,253	\$ 1,369,308	\$ 1,580,694

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$185,582. At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 61,886	
Changes of assumptions	<u>112,572</u>	
Totals	<u>\$ 174,458</u>	<u>\$ -</u>

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

<u>December 31,</u>	
2022	\$ 73,003
2023	54,960
2024	40,782
2025	<u>5,713</u>
	<u>\$ 174,458</u>

NOTE 10—DEFINED BENEFIT PENSION PLAN

Plan Description

The County contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

Funding Policy

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The County is required to contribute at an actuarially determined rate. The County's pension contribution rates for covered payroll of police officers and general employees were 24.77% and 10.88%, respectively, through June 30, 2021, and 30.67% and 13.75%, respectively, thereafter. The County contributes 100% of the employer cost for police officers and general employees of the County.

Per RSA-100:A16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on their actuarial funding policy. The County's pension contributions to the NHRS for the year ending December 31, 2021 were \$1,655,368.

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

At December 31, 2021, the County reported a liability of \$14,014,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2020. The County's proportion of the net pension liability was based on actual contributions by the County during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2021, the County's proportion was approximately 0.3162 percent, which was an increase of 0.0033 percentage points from its proportion measured as of June 30, 2020.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

For the year ended December 31, 2021, the County recognized pension expense of \$1,213,120. At December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 392,437	\$ 146,726
Changes of assumptions	1,463,776	
Net difference between projected and actual earnings on pension plan investments		3,919,642
Changes in proportion and differences between County contributions and proportionate share of contributions	631,862	191,152
County contributions subsequent to the measurement date	<u>987,380</u>	
Totals	<u>\$ 3,475,455</u>	<u>\$ 4,257,520</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of \$782,065. The County reported \$987,380 as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2022	\$ (313,928)
2023	(54,356)
2024	(157,686)
2025	<u>(1,243,475)</u>
	<u>\$ (1,769,445)</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with creditability adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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.

Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	<u>10%</u>	6.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. 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 collective pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net pension liability	\$ 20,042,890	\$ 14,014,886	\$ 8,986,546

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 11—PROPERTY TAXES

Property taxes levied to support the County are based on the assessed valuation of the prior April 1st for all taxable real property. Under state statutes, the nineteen Towns that comprise Carroll County (all independent governmental units) collect County taxes as part of local property tax assessments. As collection agent, the Towns are required to pay over to the County its share of property tax assessments. The Towns assume financial responsibility for all uncollected property taxes under state statutes.

NOTE 12—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes at December 31, 2021 as follows:

Registry of Deeds archival record restoration	\$ 4,247,329
Deeds equipment	<u>79,892</u>
	4,327,221
Less: unexpended bond proceeds	<u>(4,247,329)</u>
	<u>\$ 79,892</u>

NOTE 13—COMPONENTS OF FUND BALANCE

Components of fund balance for the County’s governmental funds at December 31, 2021 are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 180,024			\$ 180,024
Restricted for:				
Unexpended bond proceeds	4,247,329			4,247,329
Deeds equipment			\$ 79,892	79,892
Committed for:				
Capital Reserves	150,226			150,226
Assigned for:				
Encumbrances	83,736			83,736
Unassigned:				
Grant Fund (deficit)		\$ (341,144)		(341,144)
General operations	<u>7,361,677</u>			<u>7,361,677</u>
	<u>\$ 12,022,992</u>	<u>\$ (341,144)</u>	<u>\$ 79,892</u>	<u>\$ 11,761,740</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 14—RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the County participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2021.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the County shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker’s Compensation

The Trust provides statutory worker’s compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers’ compensation benefits and employer’s liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 15—COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances

The encumbrances of the General Fund as of December 31, 2021, by function, are as follows:

<u>Function</u>	
General government	\$ 60,336
Public safety and corrections	<u>23,400</u>
	<u>\$ 83,736</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Litigation

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

Other Contingencies

The County participates in the federally assisted Medicaid program at the County Nursing Home. This program is subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time; although the County expects such amounts, if any, to be immaterial.

Federal Grants

The County participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 16—RESTATEMENT OF EQUITY

Governmental Activities

During the year ended December 31, 2021, it was determined that the unearned bond premium reported gross of related bond payable, as previously reported, was overstated by bond issuance costs. In accordance with Governmental Accounting Standards Board Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, debt issuance costs are to be recognized as an expense in the period incurred. Net position of the governmental activities has been restated as follows:

Net Position - January 1, 2021 (as previously reported)	\$ (807,719)
Amount of restatement due to:	
Reduction of unearned bond premium	<u>404,471</u>
Net Position - January 1, 2021, as restated	<u>\$ (403,248)</u>

Governmental Funds

In accordance with Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the Capital Reserve Funds are to be included with the General Fund for financial reporting purposes. The impact of the restatement on the governmental funds is as follows:

	General <u>Fund</u>	Nonmajor Governmental <u>Fund</u>
Fund Balance - January 1, 2021 (as previously reported)	\$ 7,985,222	\$ 255,341
Amount of restatement due to:		
Reclassification of Capital Reserve Funds	<u>150,001</u>	<u>(150,001)</u>
Fund Balance - January 1, 2021, as restated	<u>\$ 8,135,223</u>	<u>\$ 105,340</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Fiduciary Funds

During the year ended December 31, 2021, the County adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. As a result of adopting the standard, amounts currently held by the County for the benefit of others is reported as restricted net position at year end. The impact on net position of the Fiduciary Funds as of January 1, 2021, is as follows:

Net Position - January 1, 2021 (as previously reported)	\$ -
Amount of restatement due to:	
Implementation of GASB No. 84	<u>186,263</u>
Net Position - January 1, 2021, as restated	<u><u>\$ 186,263</u></u>

NOTE 17—SUBSEQUENT EVENT

Tax Anticipation Notes

During March 2022, the County borrowed \$17,000,000 in tax anticipation notes. The tax-exempt borrowing of \$13,081,384 has an interest rate of 2.15% whereas the taxable borrowing of \$3,918,616 has an interest rate of 2.99%. The tax anticipation notes are due on December 31, 2022.

Capital Lease Obligation

During April 2023, the County entered into a capital lease agreement to upgrade the security system at the House of Corrections in the amount of \$732,555. This lease is due in annual installments of \$89,260, including interest at 4.69%, through April 2032. The contract is subject to cancellation should funds not be appropriated to meet payment obligations.

American Rescue Plan Act Funding

During June 2022, the County received the balance of funding from the American Rescue Plan Act (ARPA) in the amount of \$4,750,097. Funds must be used or obligated by December 31, 2024. The County is establishing a work plan for the use of these funds. If funds are not fully expended, the County will need to refund the unexpended amount to the United States Treasury.

New Hampshire Retirement System

Subsequent to year end, the County was audited by the New Hampshire Retirement System. During this audit process, it was identified that there were inconsistencies in the reporting of compensation that qualifies as being subject to retirement contributions. The County is required to make retroactive corrections back to the beginning of 2012.

SCHEDULE 1
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 17,645,223	\$ 17,645,223	\$ 17,645,223	\$ -
Intergovernmental	3,516,157	3,516,157	3,276,400	(239,757)
Charges for services	9,920,895	9,920,895	10,985,330	1,064,435
Interest income	3,775	3,775	8,686	4,911
Miscellaneous	19,001	19,001	228,158	209,157
Total Revenues	<u>31,105,051</u>	<u>31,105,051</u>	<u>32,143,797</u>	<u>1,038,746</u>
Expenditures:				
Current operations:				
General government	7,863,848	8,616,519	8,327,031	289,488
Public safety and corrections	5,975,870	5,975,870	5,581,283	394,587
Human services	5,359,689	5,359,689	5,364,933	(5,244)
Economic development	444,150	444,150	444,150	-
Cooperative extension services	288,786	288,786	288,786	-
Nursing home	11,583,775	11,583,775	11,234,885	348,890
Capital outlay	131,900	131,900	102,884	29,016
Debt service:				
Principal retirement	1,377,566	1,377,566	1,377,565	1
Interest and fiscal charges	568,500	568,500	361,750	206,750
Total Expenditures	<u>33,594,084</u>	<u>34,346,755</u>	<u>33,083,267</u>	<u>1,263,488</u>
Excess revenues over (under) expenditures	<u>(2,489,033)</u>	<u>(3,241,704)</u>	<u>(939,470)</u>	<u>2,302,234</u>
Other financing sources (uses):				
Bond issuance		5,000,000	4,337,000	(663,000)
Bond premium			663,000	663,000
Total Other financing sources (uses)	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Net change in fund balances	(2,489,033)	1,758,296	4,060,530	2,302,234
Fund Balance at beginning of year				
- Budgetary Basis	<u>7,734,592</u>	<u>7,734,592</u>	<u>7,734,592</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 5,245,559</u>	<u>\$ 9,492,888</u>	<u>\$ 11,795,122</u>	<u>\$ 2,302,234</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - Grant Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 781,996	\$ 1,104,596	\$ 796,006	\$ (308,590)
Interest income			4,879	4,879
Total Revenues	<u>781,996</u>	<u>1,104,596</u>	<u>800,885</u>	<u>(303,711)</u>
Expenditures:				
Current operations:				
General government	51,460	51,460	38,599	12,861
Public safety and corrections	607,996	607,996	373,204	234,792
Human services	122,540	122,540	97,226	25,314
Nursing home		322,600	428,037	(105,437)
Total Expenditures	<u>781,996</u>	<u>1,104,596</u>	<u>937,066</u>	<u>167,530</u>
Net change in fund balances	-	-	(136,181)	(136,181)
Fund Balance at beginning of year				
- Budgetary Basis	<u>29,341</u>	<u>29,341</u>	<u>29,341</u>	<u>-</u>
Fund Balance (deficit) at end of year				
- Budgetary Basis	<u>\$ 29,341</u>	<u>\$ 29,341</u>	<u>\$ (106,840)</u>	<u>\$ (136,181)</u>

See accompanying notes to the required supplementary information

SCHEDULE 3

COUNTY OF CARROLL, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	County's Proportion of the Net OPEB Liability	County's Proportionate Share of the Net OPEB Liability	County's Covered Payroll	County's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2021	0.22970291%	\$ 919,861	\$ 10,303,440	8.93%	11.06%
June 30, 2020	0.23200880%	\$ 1,015,523	\$ 9,769,743	10.39%	7.74%
June 30, 2019	0.24356675%	\$ 1,067,824	\$ 8,803,870	12.13%	7.75%
June 30, 2018	0.23965152%	\$ 1,097,234	\$ 8,513,613	12.89%	7.53%
June 30, 2017	0.17398997%	\$ 795,541	\$ 8,472,349	9.39%	7.91%
June 30, 2016	0.15467737%	\$ 748,801	\$ 7,726,156	9.69%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*

Significant Actuarial Assumptions

Measurement Periods	Inflation	Salary Increases	Investment	Mortality Table	Mortality Scale
			Rate of Return		
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 4
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of County OPEB Contributions
For the Year Ended December 31, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 103,456	\$ (103,456)	\$ -	\$ 10,415,295	0.99%
December 31, 2020	\$ 113,499	\$ (113,499)	\$ -	\$ 10,359,515	1.10%
December 31, 2019	\$ 110,292	\$ (110,292)	\$ -	\$ 9,342,617	1.18%
December 31, 2018	\$ 107,931	\$ (107,931)	\$ -	\$ 8,572,084	1.26%
December 31, 2017	\$ 107,759	\$ (107,759)	\$ -	\$ 8,700,127	1.24%
December 31, 2016	\$ 91,880	\$ (91,880)	\$ -	\$ 7,728,100	1.19%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*
December 31, 2013	*	*	*	*	*
December 31, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:
* 10 Year schedule, historical Information not available

SCHEDULE 5
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2021

<u>Single Employer Plan Information Only</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total OPEB Liability:										
Service cost	\$ 85,393	\$ 83,620	\$ 60,681	\$ 66,058	*	*	*	*	*	*
Interest	27,186	25,938	38,892	32,037	*	*	*	*	*	*
Changes of assumptions or other inputs		182,225		(62,732)	*	*	*	*	*	*
Differences between expected and actual experience		27,398			*	*	*	*	*	*
Benefit payments	(51,222)	(50,159)	(18,443)	(17,717)	*	*	*	*	*	*
Net change in total OPEB liability	61,357	269,022	81,130	17,646	*	*	*	*	*	*
Total OPEB Liability - beginning of year	1,307,951	1,038,929	957,799	940,153	*	*	*	*	*	*
Total OPEB Liability - end of year	<u>\$ 1,369,308</u>	<u>\$ 1,307,951</u>	<u>\$ 1,038,929</u>	<u>\$ 957,799</u>						
Covered employee payroll	\$ 7,070,441	\$ 6,897,991	\$ 7,462,603	\$ 7,280,588	*	*	*	*	*	*
Total OPEB liability as a percentage of covered employee payroll	19.37%	18.96%	13.92%	13.16%	*	*	*	*	*	*
<u>Significant Actuarial Assumptions</u>										
Discount rate	2.12%	2.12%	4.10%	3.44%	*	*	*	*	*	*
Health cost trend rates:										
Initial	9.93% - 2020	9.93% - 2020	10.0% - 2018	10.0% - 2018	*	*	*	*	*	*
Ultimate	5.0% - 2030	5.0% - 2030	5.0% - 2028	5.0% - 2028	*	*	*	*	*	*
Mortality data set	SOA RP-2014	SOA RP-2014	SOA RP-2014	SOA RP-2014	*	*	*	*	*	*
Mortality improvement scale	MP-2020	MP-2020	MP-2017	MP-2017	*	*	*	*	*	*

Notes to Required Supplementary Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75

* 10 Year schedule, historical Information not available

See accompanying notes to the required supplementary information

SCHEDULE 6

COUNTY OF CARROLL, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

<u>Measurement Period Ended</u>	<u>County's Proportion of the Net Pension Liability</u>	<u>County's Proportionate Share of the Net Pension Liability</u>	<u>County's Covered Payroll</u>	<u>County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2021	0.31622611%	\$ 14,014,886	\$ 10,303,440	136.02%	72.22%
June 30, 2020	0.31290174%	\$ 20,013,668	\$ 9,769,743	204.85%	58.72%
June 30, 2019	0.29687123%	\$ 14,284,418	\$ 8,803,870	162.25%	65.59%
June 30, 2018	0.29457526%	\$ 14,184,395	\$ 8,513,613	166.61%	64.73%
June 30, 2017	0.32072781%	\$ 15,773,371	\$ 8,472,349	186.17%	62.66%
June 30, 2016	0.29524066%	\$ 15,699,704	\$ 7,726,156	203.20%	58.30%
June 30, 2015	0.30156592%	\$ 11,946,616	\$ 7,770,529	153.74%	65.47%
June 30, 2014	0.31436387%	\$ 11,799,917	\$ 7,680,628	153.63%	66.32%
June 30, 2013	0.31179102%	\$ 13,418,814	\$ 7,456,986	179.95%	59.81%
June 30, 2012	*	*	*	*	*

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

Note to Required Supplementary Schedule:

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 7
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of County Pension Contributions
For the Year Ended December 31, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>County's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 1,655,368	\$ (1,655,368)	\$ -	\$ 10,415,295	15.89%
December 31, 2020	\$ 1,471,095	\$ (1,471,095)	\$ -	\$ 10,359,515	14.20%
December 31, 2019	\$ 1,351,056	\$ (1,351,056)	\$ -	\$ 9,342,617	14.46%
December 31, 2018	\$ 1,258,086	\$ (1,258,086)	\$ -	\$ 8,572,084	14.68%
December 31, 2017	\$ 1,242,142	\$ (1,242,142)	\$ -	\$ 8,700,127	14.28%
December 31, 2016	\$ 1,062,469	\$ (1,062,469)	\$ -	\$ 7,728,100	13.75%
December 31, 2015	\$ 1,043,513	\$ (1,043,513)	\$ -	\$ 7,850,570	13.29%
December 31, 2014	\$ 1,031,882	\$ (1,031,882)	\$ -	\$ 7,780,242	13.26%
December 31, 2013	\$ 896,521	\$ (896,521)	\$ -	\$ 7,550,062	11.87%
December 31, 2012	*	*	*	*	*

Note to Required Supplementary Schedule:
* 10 Year schedule, historical Information not available

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) and Grant Fund (Schedule 2) are reported on the basis budgeted by the County. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D).

General Fund

General Fund budgetary revenues are recognized when earned rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary activity and refunding bond activity as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 47,906,071	\$ 44,018,302
Difference in revenues meeting susceptible to accrual criteria	6,092	
Encumbrances, December 31, 2021		83,736
Encumbrances, December 31, 2020		(250,630)
Non-budgetary activity	(225)	
Refunding bond issuance - proceeds and payments	<u>(10,768,141)</u>	<u>(10,768,141)</u>
Per Schedule 1	<u>\$ 37,143,797</u>	<u>\$ 33,083,267</u>

Grant Fund

Grant Fund budgetary revenues are recognized when all eligibility requirements have been satisfied rather than when susceptible to accrual. Budgetary revenues were adjusted as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Per Exhibit D	\$ 1,420,859	\$ 937,066
Difference in revenues meeting susceptible to accrual criteria	<u>(619,974)</u>	
Per Schedule 1	<u>\$ 800,885</u>	<u>\$ 937,066</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2021

NOTE 2—BUDGETARY FUND BALANCE

Components of the budgetary fund balance as of December 31, 2021 for the General Fund and Grant Fund are as follows:

	General <u>Fund</u>	Grant <u>Fund</u>
Nonspendable:		
Prepaid items	\$ 180,024	
Restricted for:		
Unexpended bond proceeds	4,247,329	
Unassigned:		
Grant Fund (deficit)		\$ (106,840)
General operations	<u>7,367,769</u>	
	<u>\$ 11,795,122</u>	<u>\$ (106,840)</u>

SCHEDULE I
COUNTY OF CARROLL, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>DEPARTMENT OF JUSTICE</u>			
Pass Through Payments from the New Hampshire Department of Justice			
Crime Victim Assistance	16.575	#2018-V2-GX-0036	\$ 14,019
Crime Victim Assistance	16.575	#2019-V2-GX-0050	<u>16,731</u>
			<u>30,750</u>
Direct Award Program			
PREA Program: Strategic Support for PREA Implementation	16.735	N/A	<u>54,108</u>
Direct Award Program			
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	N/A	<u>66,487</u>
Total Department of Justice			<u>151,345</u>
<u>DEPARTMENT OF TRANSPORTATION</u>			
Pass Through Payments from the New Hampshire Department of Safety			
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614	N/A	<u>17,464</u>
Total Department of Transportation			<u>17,464</u>
<u>DEPARTMENT OF THE TREASURY</u>			
Pass Through Payments from the State of New Hampshire Governor's Office			
COVID-19 Coronavirus Relief Fund	21.019	N/A	<u>328,700</u>
Direct Award Program			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>7,250</u>
Total Department of the Treasury			<u>335,950</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Award Program			
COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	<u>653,846</u>
Total Department of Health and Human Services			<u>653,846</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Pass Through Payments from the New Hampshire Department of Safety			
Homeland Security Grant Program	97.067	#EMW-2018-SS-00055	<u>317,023</u>
Total Department of Homeland Security			<u>317,023</u>
Total Expenditures of Federal Awards			<u>\$ 1,475,628</u>

See accompanying notes to schedule of expenditures of federal awards

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2021

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the County of Carroll, New Hampshire (the “County”) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 of the County’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—PROVIDER RELIEF FUNDS

During the year ended December 31, 2020, the County recognized total revenue of \$653,846 from the Provider Relief Fund (ALN 93.498). This amount is reported on the Schedule of Expenditures of Federal Awards for the year ended December 31, 2021, per the Uniform Guidance and based upon the Provider Relief Fund reports submitted to the United States Department of Health and Human Services.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

To the Board of Commissioners
County of Carroll, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County of Carroll, New Hampshire's basic financial statements, and have issued our report thereon dated August 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Carroll, New Hampshire's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Carroll, New Hampshire's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, New Hampshire's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2021-001 and #2021-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item #2021-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Carroll, New Hampshire's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Carroll, New Hampshire's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County of Carroll, New Hampshire's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County of Carroll, New Hampshire's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
August 10, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Commissioners
County of Carroll, New Hampshire

Report on Compliance for Each Major Federal Program

Qualified Opinion on Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

We have audited the County of Carroll, New Hampshire's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County of Carroll, New Hampshire's major federal programs for the year ended December 31, 2021. The County of Carroll, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the County of Carroll, New Hampshire complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution major program for the year ended December 31, 2021.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County of Carroll, New Hampshire and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County of Carroll, New Hampshire's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

As described in the accompanying schedule of findings and questioned costs, the County of Carroll, New Hampshire did not comply with requirements regarding the Provider Relief Fund (PRF) and American

Rescue Plan (ARP) Rural Distribution, Assistance Listing No. 93.498 as described in finding number #2021-004 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the County of Carroll, New Hampshire to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County of Carroll, New Hampshire's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Carroll, New Hampshire's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Carroll, New Hampshire's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County of Carroll, New Hampshire's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County of Carroll, New Hampshire's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County of Carroll, New Hampshire's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2021-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County of Carroll, New Hampshire's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County of Carroll, New Hampshire's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vachon Clukay & Company PC

Manchester, New Hampshire
August 10, 2023

**County of Carroll, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified - all reporting units

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified yes X none reported

Type of auditor’s report issued on compliance for each major federal program: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

Assistance Listing	Name of Federal Program or Cluster
93.498	COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

Section II—Financial Statement Findings

The following findings relating to the internal control structure are required to be reported by GAGAS.

Material Weakness:

Finding #2021-001 – Ineffective Oversight of the Entity’s Financial Reporting and Internal Control by Those Charged With Governance

Criteria: The County’s management is responsible for the presentation of financial statements in accordance with generally accepted accounting principles. In addition, management is responsible for the safeguarding of its assets.

Condition: The County’s financial records presented for the audit required material adjustments to bring them in conformity with generally accepted accounting principles. We noted several pronouncements issued by the Governmental Accounting Standards Board had not been implemented. We also noted that there is a lack of controls in place regarding the custody of inmate funds.

Cause: It is unknown why previously issued accounting pronouncements had not been implemented. The personnel responsible for the maintenance of inmate funds have not implemented proper controls to safeguard inmate assets and to reconcile the monthly bank statements with the listing of amounts held on account for each inmate.

Effect or potential effect: Controls over the financial activities of the County are weakened.

Identification as a repeat finding: This was reported as Finding #2020-001 in the December 31, 2020 financial statements.

Recommendation: We recommend that the audit adjustments be reviewed to properly report the custodial activity held by the County in its financial records for subsequent years. We also recommend that the controls over the inmate funds be strengthened and supporting documentation be retained for all receipts and disbursements. In addition, it is imperative that the inmate bank statements be regularly reconciled to the amounts held for each inmate and the excess funds be remitted to the General Fund.

Views of Responsible Officials: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. During 2022 and during the presentation of the 2022 audit materials, the CFO corrected the oversights found during 2021 and strives to implement pronouncements on a continued basis. The finance department has not considered the impact of the leasing pronouncements in 2022, but will include for 2023 financial reporting.

The repeated December 21, 2020 finding related to the inmate accounting is being reviewed and enhanced to ensure that all supporting documentation is retained for all receipts and disbursements of inmate funds.

The finance department currently completes a monthly reconciliation of the inmate funds and records a payable or receivable to the general fund based on the inmate account reconciliation.

Material Weakness:

Finding #2021-002 – Deficient Oversight of Grant Management

Criteria: The County’s management is responsible for the presentation of financial statements in accordance with generally accepted accounting principles.

Condition: The County received a significant amount of grant funding during the year ending December 31, 2021 including federal funds that were received in advance. A material audit adjustment was required to reduce the recognized grant revenue for unexpended advances from the federal government.

Cause: The majority of grant awards are received on a reimbursement basis. The recognition of the advanced grant funds as revenue is not consistent with generally accepted accounting principles.

Effect or potential effect: Controls over the financial activities of the County are weakened. The preliminary federal grant revenue was materially overstated.

Identification as a repeat finding: This was reported as Finding #2020-002 in the December 31, 2020 financial statements.

Recommendation: We recommend that grant activity be reconciled on a per grant basis. Grant awards are for a specified amount; therefore, grant revenue should agree with the corresponding grant expenditures. An excess of receipts over expenditures indicates that a liability should be recorded as the funding has not yet been earned.

Views of Responsible Officials: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. During 2022 and during the presentation of the 2022 audit materials, the CFO recorded the advance payments from grant revenue to unexpended advances.

All grants since that time are managed separately, with grant reconciliation on a monthly basis and timely reporting. The County has been through two grantor agency audits during 2022 with clean opinions, cutoffs and proper filings.

Significant Deficiency:

Finding #2021-003 – Timely Reconciliations and Reporting

Criteria: The County’s internal control procedures should require timely reconciliations in order to provide meaningful financial reports to management.

Condition: Monthly reconciliations are not done on a timely basis resulting in a delay of accurate financial reporting.

Cause: The cause of the untimely reconciliations is unknown.

Effect or potential effect: Controls over the financial activities of the County are weakened. The failure to properly reconcile the activity throughout the year increases the risk that errors may occur and remain undetected.

Identification as a repeat finding: This was reported as Finding #2020-003 in the December 31, 2020 financial statements.

Recommendation: We understand that the County has changed the structure within its finance office and a higher priority is placed on timely reconciliations and financial reporting. We recommend that the various departments continue to work with the finance office to provide the necessary information for reliable financial reports to be provided to the Board of Commissioners throughout the year from which sound business decisions can be made.

Views of Responsible Officials: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. Beginning in the fourth quarter of 2021, immediate changes were made to the finance department relating to timely payment of invoices, reconciliations and reporting. Monthly reconciliations are completed timely by the finance department staff, reviewed and finalized by the CFO and submitted to the Commissioners and Delegation. The Finance department also replaced the accounting software, which allowed for increased efficiency and reporting in a timely manner, offering key reconciling features.

Section III—Federal Award Findings and Questioned Costs

The following finding and questioned costs are required to be reported under 2 CFR 200.516(a).

Department of Health and Human Services

Finding #2021-004 – Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution (ALN 93.498)

Criteria or specific requirement: As a recipient of this direct federal award, the County is required to comply with mandatory reporting requirements. One component of the required reporting is to indicate the usage of the federal funding on either eligible expenditures and/or applied to the loss of revenue.

Condition: The County's submitted reports during the year ended December 31, 2021 indicated all of the Provider Relief funding was expended on healthcare related items. However, the County's current Chief Financial Officer has indicated that the funding was used to offset loss revenue.

Cause: The Provider Relief Funds were a new federal award received during 2020, and the on-line reporting portal was delayed for months. The on-line report was completed to the best of the finance personnel's ability.

Effect or potential effect: Controls over the financial activities of the County's federal awards are weakened. The reports submitted on the Health Resources and Services Administration portal were inaccurate and did not properly indicate the usage of federal funds.

Questioned costs: The questioned costs are unknown. The Provider Relief Funds were provided to cover unanticipated expenditures due to the COVID-19 pandemic and to offset the loss of revenue.

Context: The Provider Relief Funds were a new federal award program and were not received based on a request for reimbursement submitted by the County. Funding was advanced to the County without any notification. All of the funding received from this federal award was reported as being expended on healthcare related items. However, funding received was used to offset the loss of revenue.

Recommendation: We recommend that prior to submitting a financial report to a federal agency, the information should be reviewed for accuracy. The finance officer should provide all relevant information along with a draft of the financial report to the Chief Financial Officer for review and approval. A copy of the submitted financial report along with all supporting documentation is to be retained.

Views of Responsible Officials: Provider relief funds could be used for healthcare related items or loss revenue. The reporting was submitted incorrectly, showing the funds were expended on healthcare related items versus loss revenue. During the audit, loss revenue calculations were provided that substantiated the funds received. The County's Chief Financial Officer agrees that the federal reports were completed incorrectly. An attempt to revise the submitted reports was unsuccessful as the County was informed that their case was closed and the previously submitted reports could not be unlocked.

All grants since that time are managed separately, with grant reconciliations on a monthly basis and timely reporting. The County has been through two grantor agency audits during 2022 with clean opinions, cutoffs and proper filings.

**County of Carroll, New Hampshire
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2021**

FINANCIAL STATEMENT FINDINGS:

Finding #2020-001 – Ineffective Oversight of the Entity’s Financial Reporting and Internal Control by Those Charged With Governance

Criteria: Internal controls should be in place to provide total understanding of financial system, government wide.

Condition: Significant adjustments were made to integrate and reconcile department financial information during the audit. The existence of such material adjustments indicates that the County of Carroll’s system of controls did not detect and prevent such errors.

Cause: Unknown.

Effect or potential effect: The County’s internal and interim financial statements were materially misstated. This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation: We recommend management examine the adjustments required as a result of the 2020 audit and assess the cost-benefit of improving the internal control system to prevent similar future adjustments.

Status of Finding: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve its financial reporting and internal controls. Despite the limited period of time for changes within the County’s finance department in 2021, there has been a lot of improvement in the County’s financial reporting and internal controls. Several material adjustments were required during the 2021 year end audit. This is deemed to be a material weakness again for the year ending December 31, 2021.

Finding #2020-002 – Deficient Oversight of Grant Management

Criteria: Internal controls should be in place to accommodate proper grant reporting and tracking by those charged with governance.

Condition: Significant adjustments were made to grant revenue and accounts receivable to properly record revenue within the correct fiscal year.

Cause: Unknown.

Effect or potential effect: The County’s internal and interim financial statements were materially misstated as it relates to grant income and expenses. Improper cut-off procedures were followed in reporting grant transactions for the current year. This deficiency in the internal control structure could allow other working control policies to be circumvented.

County of Carroll, New Hampshire
Summary Schedule of Prior Audit Findings Continued
Year Ended December 31, 2021

Recommendation: We recommend that the County enact a policy that requires appropriate cut-off and ongoing reporting for grant revenue and expenses.

Status of Finding: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve its recognition of grant activity. Despite the limited period of time for changes within the County's finance department in 2021, there has been a lot of improvement in the County's recognition of grant activity. A material adjustment was required during the 2021 year end audit. This is deemed to be a material weakness again for the year ending December 31, 2021.

Finding #2020-003 – Timely Reconciliations and Reporting

Criteria: Internal controls and procedures should be in place that require timely reconciliations to reporting.

Condition: Lack of timely reconciliations can cause misstatements and errors in the internal financial statements.

Cause: Unknown.

Effect or potential effect: Material misstatements could be present in financial statement reporting.

Recommendation: We recommend that the County implement procedures to complete reconciliations each month by a targeted deadline, of which is reasonable to render financial informational information to the Board of Commissioners.

Status of Finding: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve its reconciliation process and financial reporting. Despite the limited period of time for changes within the County's finance department in 2021, there has been a lot of improvement in the County's reconciliation process and financial reporting. Throughout 2021, untimely reconciliations continued, but the County's financial records are now being reconciled on a regular basis. This prior year finding is also deemed to be a significant deficiency during 2021.



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**Corrective Action Plan
Year Ended December 31, 2021**

Contact Person: Bonnie Batchelder, Chief Financial Officer

Finding #2021-001 – Ineffective Oversight of the Entity’s Financial Reporting and Internal Control by Those With Governance

Description of Finding: The County’s financial records presented for the audit required material adjustments to bring them in conformity with generally accepted accounting principles. We noted several pronouncements issued by the Governmental Accounting Standards Board had not been implemented. We also noted that there is a lack of controls in place regarding the custody of inmate funds.

Statement of Concurrence or Nonconcurrence: Concurrence

Planned Correction Action: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. During 2022 and during the presentation of the 2022 audit materials, the CFO corrected the oversights found during 2021 and strives to implement pronouncements on a continual basis. The finance department has not considered the impact of the leasing pronouncements in 2022, but will include for 2023 financial reporting.

Anticipated Completion Date: Completed as of December 31, 2022 financial reporting.

Finding #2021-002 – Deficient Oversight of Grant Management

Description of Finding: The County received a significant amount of grant funding during the year ending December 31, 2021 including federal funds that were received in advance. A material audit adjustment was required to reduce the recognized grant revenue for unexpended advances from the federal government.

Statement of Concurrence or Nonconcurrence: Concurrence

Planned Correction Action: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. During 2022 and during the presentation of the 2022 audit materials, the CFO recorded the advance payments from grant revenue to unexpended advances.

Anticipated Completion Date: Completed as of December 31, 2022 financial reporting.

Finding #2021-003 – Timely Reconciliations and Reporting

Description of Finding: Monthly reconciliations are not done on a timely basis resulting in a delay of accurate financial reporting.

Statement of Concurrence or Nonconcurrence: Concurrence

Planned Correction Action: During the fourth quarter of 2021, the County contracted with a Chief Financial Officer to improve the financial department, as it relates to financial reporting, county policies and implementation of pronouncements issued by the Government Accounting Standards Board. Beginning in the fourth quarter of 2021, immediate changes were made to the finance department relating to timely payment of invoices, reconciliations and reporting. Monthly reconciliations are completed timely by the finance department staff, reviewed and finalized by the CFO and submitted to the Commissioners and Delegation. The Finance department also replaced the accounting software, which allowed for increased efficiency and reporting in a timely manner, offering key reconciling features.

Anticipated Completion Date: Initialized during the fourth quarter of 2021 and completed to current day practice early 2022.

Finding #2021-004 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (ALN 93.498)

Description of Finding: The County’s submitted reports during the year ended December 31, 2021 indicated all of the Provider Relief funding was expended on healthcare related items. However, the County’s current Chief Financial Officer has indicated that the funding was used to offset loss revenue.

Statement of Concurrence or Nonconcurrence: Concurrence

Planned Correction Action: Provider relief funds could be used for healthcare related items or loss revenue. The reporting was submitted incorrectly, showing the funds were expended on healthcare related items versus loss revenue. During the audit, loss revenue calculations were provided that substantiated the funds received. The County’s Chief Financial Officer agrees that the federal reports were completed incorrectly. An attempt to revise the submitted reports was unsuccessful as the County was informed that their case was closed and the previously submitted reports could not be unlocked.

All grants since that time are managed separately, with grant reconciliations on a monthly basis and timely reporting. The County has been through two grantor agency audits during 2022 with clean opinions, cutoffs and proper filings.

Anticipated Completion Date: There is no completion date for the Provider Relief Funds; however, all grant reconciliations, accurate and timely reporting is in place for the December 31, 2022 year end financial presentations.