



Batchelder Associates, PC

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered County of Carroll'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 County of Carroll's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Carroll'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 discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 following deficiencies in internal control to be material weaknesses.

Material Weaknesses:

Ineffective oversight of the entity's financial reporting and internal control by those charged with governance:

Those charged with financial governance are responsible for the accurate and timely presentation of the County's financial statements. To properly present accurate financial statements, awareness of all financial activity carried out by departments is necessary and essential knowledge. This knowledge is needed to understand the information being handled by the departments, implementation of proper internal controls that follow the County's internal controls and the ability to take department financial information and incorporate into the County's financial system. 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. Management should examine the adjustments required as a result of our audit and assess the cost-benefit of improving the internal control system to prevent the adjustments in the future. Management should address inherent limitations in the internal control system and modify their oversight function accordingly.

Significant audit adjustments were made to record transactions within the Sheriff's Department and the Registry of Deeds.

Significant adjustments were made to account balances due to lack of timely reconciliations and/or the inability to understand what a reasonable balance for particular account types are. Again, the existence of such material adjustments indicates that the County of Carroll's system of controls did not detect and prevent such errors. A specific example of this is audit entry #4 which adjusts prepaid expenses and liability accounts related to employee insurance benefits.

Significant audit adjustments were made to reconcile basic accounts such as accrued payroll related accounts, DRA-BES taxes payable and accounts receivable for the Nursing Home. This information is readily available and should be part of the monthly and quarterly reconciliations of the finance department.

Material Weaknesses (continued):**Ineffective oversight of the entity's financial reporting and internal control by those charged with governance (continued):**

The internal financial statements of the County are presented on a modified accrual basis. The finance department manipulates the use of dates to achieve a desired goal versus understanding the accrual method of accounting. As will be argued, this has been the practice in past years, however, it has been a consistent audit adjustment for 2019 and again in 2020. The County pays vendor invoices and expenses in January of the following year, in this case, January 2021, yet posts the transactions to the December, 2020 cash balance. The result is that the County's cash balance is understated and the accounts payable, items owed by the County are understated. During 2020, this amount was \$897,451.

Use of Encumbrances is another example of patterns that have been carried from year to year, but another consistent audit entry between 2019 and 2020. Posting directly to encumbrance accounts is a function of adjusting between fund balances. Currently, the County posts directly to expense accounts which is overstating expense accounts and creating misleading balances of actual funds spent during the fiscal year. Only actual expenses incurred or accrued at year end should be posted to the County's expense accounts.

In many cases, departments run autonomously and without regard to the County's internal control procedures. For example, the Sheriff's Department maintains several bank accounts which are not reconciled or seen by the Finance Director. Deposits and disbursements are made outside of the controls followed by the County's normal accounts payable structure. In speaking with department staff, this is a result of inadequate or untimeliness in releasing payments and or reporting in the past. Controls should be examined to ensure that all transactions follow and run through the County's accounting system and that there are policies in place for prompt payment and accuracy so that departments have confidence in the financial transactions.

A significant area of concern is with the Jail and the recording of activity that relates to the County versus transactions that relate and are property of the inmates. There was not a clear understanding of the accounts being maintained and used by the Jail nor a clear understanding of how transactions should be recorded in the County records. Checks are being entered, written and signed by the administrative staff if under \$1,500 which violates the segregation of duties and internal controls established by the County. There has been no oversight of this department with regards to these procedures or inclusion of these funds in the County's financial records.

Deficient oversight of grant management:

Those charged with financial governance are responsible for the accurate and timely presentation of the County's grants and controls. All grant agreements, requirements, expenses and invoicing should be maintained and reconciled with a timely manner. Significant adjustments were made to grant revenue and accounts receivable to properly record revenue within the correct fiscal year. Audit adjustments #30-#32 record omitted grant transactions which have a significant impact on the financial presentation of the County. It is recognized that the individual departments handle and work with grants associated specifically to their departments, however, complete communication of all contract details should be understood by the financial department to ensure that proper recording into the financial statements is complete, accurate and timely.

Significant Deficiencies:

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 following deficiencies in internal control to be significant deficiencies:

Timely reconciliations and reporting

There is an overall lack of timeliness report reconciliations by the County. Financial statements and County records should be reconciled each month, taking into consideration all department transactions and issued to the County Commissioners on a monthly basis. Departments should be responsible for generating data and providing to Finance Department with specific deadlines, giving the Finance Department time to investigate and ask questions.

Reporting established and required by departments should be delivered consistently and accurately for departments to be able to make educated and informed decisions regarding their finances and grant management. During staff interviews, we discussed such reporting and found that some departments felt the timeliness, accuracy and consistency of reporting was lacking.

Other Comments:

County Policies:

The County has established policies for Internal Control and County Wide. In reviewing these policies, they touch on the **generic** requirements to be followed for strong internal controls, however, they do not correlate to the County and the specific procedures that should be in place for County staff. Although these policies are a strong starting point, controls need to be established with County specific structure to be effective.

For example:

Segregation of Duties – your policy defines why it is important, however, does not relate it to the County and County staff responsibilities as it relates to your software, procedures and steps that should be followed by specific staff.

Budgeting and Combination of Expenses:

The County has decided to group certain expenses for all departments into generic accounts versus tracking by department. This eliminates the ability to evaluate each department and isolate potential issues within each department. It also eliminates the ability to see where surplus or losses are coming from.

For example, it appears that the Nursing Home has a large surplus which is carrying the County. This cannot be reliable, as the payroll taxes, benefits, debt service and utilities are no longer charged to the Nursing Home which far exceed the surplus it appears to have generated in 2020.

Chart of Accounts

The County's chart of accounts does not align with the chart suggested by the NH Department of Revenue (NH DRA) and accordingly does not mirror with the online reporting that is done with the NH DRA.

County Software

We found the County accounting software to be inadequate for reporting purposes, specifically in asking for a Balance Sheet or Revenue and Expense report by Fund. The accounts payable module has been purchased, but was not in service as of the audit date or completion of the audit.

This communication is intended solely for the information and use of management, the County Commissioners and Delegation., and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

Batchelder Associates, P.C.
Barre, Vermont 05641
License #945
July 26, 2021

COUNTY OF CARROLL, NEW HAMPSHIRE
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

COUNTY OF CARROLL, NEW HAMPSHIRE
 FOR THE YEAR ENDED DECEMBER 31, 2020
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FOR THE YEAR ENDED DECEMBER 31, 2020
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Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, New Hampshire, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 3-8, pension and OPEB reporting, pages 33-37 and budgetary comparison information on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, New Hampshire basic financial statements. The combining fund financial statements and budgetary comparison schedule for the General Fund are presented for purpose of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated July 26, 2021, 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 and other matters. The purpose of that report is 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 internal 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.

Batchelder Associates, PC
License #945
Barre, Vermont
July 26, 2021

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Our discussion and analysis of the County of Carroll, New Hampshire's financial performance provides an overview of the County's financial activities for the calendar year ended December 31, 2020. This report should be read in conjunction with the County's financial statements.

Financial Highlights

- As of close of the current year, net position of governmental activities was \$(807,719), a change of \$35,028 as further discussed in the next section.
- As of the close of the current year, governmental funds reported combining ending fund balances of \$7,415,626, a change of \$(337,251) in comparison to the prior year.
- At the end of the current year, unassigned fund balance of the General fund was \$7,346,182, a change of \$309,741 in comparison to the prior year.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the County as a Whole

The government-wide financial statements are on Exhibit A and B. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position – the difference between assets, liabilities, and deferred inflows/outflows – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including public safety, corrections, human services, cooperative extension, economic development, and nursing home. County taxes and state and federal grants finance most of these activities.
- Business-type activities – The County currently has no business-type activities, as the County has chosen to include the Nursing Home with the general fund governmental activities.

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Reporting the County's Most Significant Funds

The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Commissioners establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds – Governmental and Fiduciary – use different accounting approaches.

- Governmental funds – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and F that are included in the financial statements.
- Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the governmental-wide financial statements because the resources of those funds are not available to support County programs. The two fiduciary funds include the Nursing Home Patient accounts and the Jail Inmate Accounts.

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

The County as a Whole

The County's combined net position increased by \$35,028 from 2019, increasing from a balance of \$(842,747) to \$(807,719). Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

Table 1
Net Position

	Governmental Activities		Total Government	
	2020	2019	2020	2019
Current assets	\$ 11,786,246	\$ 9,899,517	\$ 11,786,246	\$ 9,899,517
Noncurrent assets	24,434,005	24,560,152	24,434,005	24,560,152
Total Assets	36,220,251	34,459,669	36,220,251	34,459,669
Deferred outflows of resources	5,752,500	1,461,438	5,752,500	1,461,438
Long-term liabilities outstanding	38,596,026	32,008,633	38,596,026	32,008,633
Other liabilities	3,516,342	4,119,454	3,516,342	4,119,454
Total Liabilities	42,112,368	36,128,087	42,112,368	36,128,087
Deferred inflows of resources	668,102	682,569	668,102	682,569
Net Position				
Invested in capital assets	8,885,503	7,532,555	8,885,503	7,532,555
Nonspendable	142,833		142,833	-
Restricted	362,271	303,579	362,271	303,579
Assigned	418,618		418,618	
Unassigned	(10,616,944)	(8,725,683)	(10,616,944)	(8,725,683)
Total Net Position	\$ (807,719)	\$ (889,549)	\$ (807,719)	\$ (889,549)

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from a \$8,725,683 deficit at December 31, 2019, to a \$10,616,944 deficit at December 31, 2020, for the governmental activities. This deficit is largely due to unfunded pension and OPEB liabilities, which totals \$17,252,744.

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Table 2
Change in Net Position

Our analysis below separately considers the operations of governmental activities.

	Governmental Activities		Total Government	
	2020	2019	2020	2019
REVENUES:				
Program revenues				
Charges for services	\$ 14,627,130	\$ 13,768,539	\$ 14,627,130	\$ 13,768,539
Operating grants and contributions	1,537,408	132,499	1,537,408	132,499
Capital grants and contributions	854,278	-	854,278	-
General revenues				
County taxes	17,645,223	16,521,886	17,645,223	16,521,886
Investment income	2,004	2,150	2,004	2,150
Miscellaneous	95,307	240,768	95,307	240,768
Total revenues	<u>34,761,350</u>	<u>30,665,842</u>	<u>34,761,350</u>	<u>30,665,842</u>
EXPENDITURES:				
General government	9,438,948	3,972,103	9,438,948	3,972,103
Public safety	2,741,975	2,436,465	2,741,975	2,436,465
Corrections	3,565,302	4,362,521	3,565,302	4,362,521
Human services	5,269,335	4,994,539	5,269,335	4,994,539
Cooperative extension	284,291	277,389	284,291	277,389
Economic development	403,805	353,500	403,805	353,500
Nursing home	12,462,296	13,811,497	12,462,296	13,811,497
Interest	560,370	584,156	560,370	584,156
Total expenditures	<u>34,726,322</u>	<u>30,792,170</u>	<u>34,726,322</u>	<u>30,792,170</u>
Net Change in Fund Balances	<u>35,028</u>	<u>(126,328)</u>	<u>35,028</u>	<u>(126,328)</u>
Fund Balances - January 1, 2020, restated	<u>(842,747)</u>	<u>(716,419)</u>	<u>(842,747)</u>	<u>(716,419)</u>
Fund Balances - December 31, 2020	<u>\$ (807,719)</u>	<u>\$ (842,747)</u>	<u>\$ (807,719)</u>	<u>\$ (842,747)</u>

Governmental Activities

The increase in net position for governmental activities was \$35,028 in 2020. Revenues increased by \$4,095,508 or 13.36% and expenses increased by \$3,934,152 or 12.78%, compared to 2019.

The cost of all governmental activities this year was \$34,726,322, however, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through County taxes was \$17,707,506. Some of the cost was paid by those who directly benefited from the programs (\$14,627,130) or by other governments and organizations that subsidized certain programs with grants and contributions (\$2,391,686).

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

The County's Funds

As the County completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$7,415,626, which represents a decrease of \$337,251 from last year's total of \$7,752,877 (restated from \$7,706,074). Included in this year's total change in fund balance is an increase of \$309,741 in the County's General Fund.

The schedule below compares actual to budget for the funds. The most significant variances of actual to budget were as follows:

	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Governmental Budget	\$ 31,058,146	\$ 32,420,103	\$ 1,361,957
Grant Budget	\$ 1,869,020	\$ 1,486,969	\$ (382,051)
	<u>\$ 32,927,166</u>	<u>\$ 33,907,072</u>	<u>\$ 979,906</u>
Expenditures:			
Governmental Budget	\$ 33,296,570	\$ 31,927,780	\$ 1,368,790
Grant Budget	\$ 1,880,596	\$ 2,316,543	\$ (435,947)
	<u>\$ 35,177,166</u>	<u>\$ 34,244,323</u>	<u>\$ 932,843</u>

Capital Assets and Debt Administration

Capital Assets

At December 31, 2020, the County had \$24,323,896 invested in a broad range of capital assets, including vehicle, equipment, buildings, improvements, land, sewer and water, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of \$90,498 from last year.

	Governmental Activities		Total Government	
	2020	2019	2020	2019
Land	\$ 45,552	\$ 45,552	\$ 45,552	\$ 45,552
Construction in progress	3,333,155	3,297,505	3,333,155	3,297,505
Land improvements	200,776	227,044	200,776	227,044
Building and building improvements	15,482,595	16,054,562	15,482,595	16,054,562
Equipment	3,350,027	2,697,747	3,350,027	2,697,747
Vehicles	114,563	200,185	114,563	200,185
Sewer	911,762	976,172	911,762	976,172
Water	885,466	915,627	885,466	915,627
Total Assets	<u>\$ 24,323,896</u>	<u>\$ 24,414,394</u>	<u>\$ 24,323,896</u>	<u>\$ 24,414,394</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

Debt Administration

At December 31, 2020, the County had \$15,752,314 in outstanding bonds and capital leases versus \$16,422,531 on December 31, 2019 – a decrease of \$670,217 as shown below. Included in the debt schedule below are other long-term items to include bond interest, compensated balances, net pension and OPEB liabilities.

	Outstanding Debt at Year-End			
	Governmental Activities		Total	
	2020	2019	2020	2019
Bond payable	\$ 12,300,058	\$ 12,925,000	\$ 12,300,058	\$ 12,925,000
Capital lease payable	3,248,444	3,497,531	3,248,444	3,497,531
Accrued bond interest	203,812		203,812	
Compensated balances	506,570	69,000	506,570	69,000
Net pension liability	20,013,668	14,284,000	20,013,668	14,284,000
Net OPEB liability	2,323,474	2,107,000	2,323,474	2,107,000
Totals	\$ 38,596,026	\$ 32,882,531	\$ 38,596,026	\$ 32,882,531

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials consider many factors when setting the 2020 budget. There were no changes to the original budgeted expenses, however, the grant revenue budget was increased from \$1,241,818 to \$1,869,020. There was also \$2,400,000 budgeted as a "use of fund balance", however, only \$337,251 of this was used at December 31, 2020.

When adopting the budget for the 2021 year, the County's officials considered operational and capital needs of the County, and the impact of spending on the tax rate.

The County budgeted no change in fund balance for the fiscal year ending December 31, 2021.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County of Carroll Finance Office, 95 Water Village Road, Box 1, Ossipee, NH 03864.

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2020

EXHIBIT A

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 8,759,949
Restricted cash	332,930
Receivables (net of allowance for uncollectibles)	1,415,318
Grant receivable	1,135,216
Inventory	87,839
Prepaid expenses	54,994
Noncurrent assets:	
Deposit on asset	110,109
Capital assets:	
Land	45,552
Construction in progress	3,333,155
Other capital assets, net of accumulated depreciation	20,945,189
Total assets	<u>36,220,251</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred outflows of resources related to County's participation in NHRS	5,494,709
Deferred outflows of resources related to County's participation in NHRS OPEB	257,791
Total deferred outflows of resources	<u>5,752,500</u>
 <u>LIABILITIES</u>	
Accounts payable	2,791,893
Accrued expenses	691,015
Other liabilities	33,434
Accrued interest	203,812
Noncurrent liabilities:	-
Due within one year	1,944,416
Due in more than one year	36,447,798
Total liabilities	<u>42,112,368</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources related to County's participation in NHRS	658,852
Deferred inflows of resources related to County's participation in NHRS OPEB	9,250
Total deferred inflows of resources	<u>668,102</u>
 <u>NET POSITION</u>	
Net investment in capital assets	8,885,503
Restricted	362,271
Unrestricted/(Deficit)	<u>(10,055,493)</u>
Total net position	<u>\$ (807,719)</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT B

	Program Revenues			Net (Expenses) Revenue and Changes in Net	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
General government	\$ 9,438,948	\$ 1,277,069	\$ 32,558	\$ -	\$ (8,129,321)
Public safety	2,741,975	250,014	426,365	854,278	\$ (1,211,318)
Corrections	3,565,302	293,879	-	-	\$ (3,271,423)
Human services	5,269,335	-	74,835	-	\$ (5,194,500)
Cooperative extension	284,291	-	-	-	\$ (284,291)
Economic development	403,805	-	-	-	\$ (403,805)
Nursing home	12,462,296	12,806,168	1,003,650	-	\$ 1,347,522
Interest	560,370	-	-	-	\$ (560,370)
Total governmental activities	<u>34,726,322</u>	<u>14,627,130</u>	<u>1,537,408</u>	<u>854,278</u>	<u>\$ (17,707,506)</u>
General revenues:					
					17,645,223
					2,004
					95,307
					<u>17,742,534</u>
					35,028
					<u>(842,747)</u>
					<u>\$ (807,719)</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2020

EXHIBIT C

	General Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 8,609,948	\$ -	\$ 150,001	\$ 8,759,949
Restricted cash	227,590	-	105,340	332,930
Receivables:				
Accounts, net	1,415,318	-	-	1,415,318
Intergovernmental	-	-	-	-
Grant receivable	-	1,135,216	-	1,135,216
Due from other funds	844,970	-	-	844,970
Inventory	87,839	-	-	87,839
Prepaid expenses	54,994	-	-	54,994
	\$ 11,240,659	\$ 1,135,216	\$ 255,341	\$ 12,631,216
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,790,338	\$ 1,555	\$ -	\$ 2,791,893
Accrued expenses	431,665	259,350	-	691,015
Due to other funds	-	844,970	-	844,970
Deferred grant revenue	-	854,278	-	854,278
Other liabilities	33,434	-	-	33,434
	3,255,437	1,960,153	-	5,215,590
FUND BALANCES				
Nonspendable:				
Inventory	87,839	-	-	87,839
Prepaid expenses	54,994	-	-	54,994
Restricted:				
Deeds surcharge account	-	-	105,340	105,340
Dube fund	227,590	-	-	227,590
Remaining grant funds	-	(824,937)	-	(824,937)
Assigned:				
Subsequent year budget - reduce taxes	-	-	-	-
IDN funding	17,987	-	-	17,987
Encumbrances	250,630	-	-	250,630
Capital reserves	-	-	150,001	150,001
Unassigned	7,346,182	-	-	7,346,182
	7,985,222	(824,937)	255,341	7,415,626
Total Fund Balances	7,985,222	(824,937)	255,341	7,415,626
Total Liabilities, Fund Balances, and Deferred Inflow of Resources	\$ 11,240,659	\$ 1,135,216	\$ 255,341	\$ 12,631,216

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
 RECONCILIATION OF NET POSITION OF GOVERNMENTAL FUNDS TO NET POSITION
 OF GOVERNMENT WIDE STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT D

	<u>Total Governmental Funds</u>
Total governmental fund balances	\$ 7,415,626
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	24,434,005
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(203,812)
In the Statement of Activities, deferred grant revenue is not recognized to the extent it is not recoverable in sixty days. Therefore, deferred grant revenue is not reported.	854,278
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:	
Bonds payable	(12,300,058)
Capital lease payable	(3,248,444)
Compensated absences	(506,570)
Net pension liability and related deferred outflows/inflows of resources	(15,177,811)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(2,074,933)</u>
Net position of governmental activities	<u>\$ (807,719)</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT E

	General Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
County taxes	\$ 17,645,223	\$ -	\$ -	\$ 17,645,223
Nursing home	12,806,168	-	-	12,806,168
Charges for services	1,820,962	-	-	1,820,962
Intergovernmental	17,880	1,486,969	32,558	1,537,407
Investment income	1,981	-	24	2,005
Miscellaneous	95,307	-	-	95,307
Total Revenues	<u>32,387,521</u>	<u>1,486,969</u>	<u>32,582</u>	<u>33,907,072</u>
Expenditures:				
Current:				
General government	7,413,644	-	-	7,413,644
Public safety	2,239,968	408,613	-	2,648,581
Corrections	3,327,469	-	-	3,327,469
Human services	5,192,032	77,303	-	5,269,335
Cooperative extension	284,291	-	-	284,291
Economic development	403,805	-	-	403,805
Nursing home	10,570,015	1,003,650	-	11,573,665
Capital outlay				
General government	115,784	-	-	115,784
Public safety	-	826,977	-	826,977
Corrections	192,807	-	-	192,807
Nursing home	148,498	-	-	148,498
Debt service:				
Principal	1,424,087	-	-	1,424,087
Interest	615,380	-	-	615,380
Total Expenditures	<u>31,927,780</u>	<u>2,316,543</u>	<u>-</u>	<u>34,244,323</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>459,741</u>	<u>(829,574)</u>	<u>32,582</u>	<u>(337,251)</u>
Other Financing Sources:				
Proceeds of capital leases	-	-	-	-
Transfers in	-	-	150,000	150,000
Transfers out	(150,000)	-	-	(150,000)
Total Other Financing Sources	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Net Change in Fund Balances	309,741	(829,574)	182,582	(337,251)
Fund Balances - January 1, 2020, restated	<u>7,675,481</u>	<u>4,637</u>	<u>72,759</u>	<u>7,752,877</u>
Fund Balances - December 31, 2020	<u>\$ 7,985,222</u>	<u>\$ (824,937)</u>	<u>\$ 255,341</u>	<u>\$ 7,415,626</u>

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

COUNTY OF CARROLL, NEW HAMPSHIRE
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT F

Change in fund balances - governmental funds	<u>\$ (337,251)</u>
<p>Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities the cost of those assets (\$1,284,066) is allocated over their estimated useful lives and reported as depreciation expense (\$1,374,564). This is the amount by which depreciation exceeded outlays in the current period, less trade. Deposit on asset (\$35,650)</p>	
	<u>(126,148)</u>
<p>The issuance of long-term debt \$(e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,479,097) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt items.</p>	
	<u>-</u>
Repayments of bonds payable	1,175,000
Amortization of bond premium	55,006
Proceeds of capital lease payable	-
Repayments of capital lease payable	249,091
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p>	
	<u>(2,471)</u>
<p>In the Statement of Activities, grant revenue is recognized when the grant activity has taken place, whereas in governmental funds, grant revenue is reported based on receipt within the first 60 days of the new year</p>	
	854,278
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:</p>	
Compensated absences	(192,035)
Net pension liability and related deferred outflows/inflows of resources	(1,507,250)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(133,192)</u>
Change in net position - governmental activities	<u>\$ 35,028</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

EXHIBIT G

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 186,263</u>
Total Assets	<u>186,263</u>
LIABILITIES	
Due to others	<u>186,263</u>
Total Liabilities	<u>\$ 186,263</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Summary of Significant Accounting Policies

The accounting policies of County of Carroll, New Hampshire (the County) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies:

Reporting Entity

The County is a municipal corporation governed by an elected Board of Commissioners. As required by Generally Accepted Accounting Principles, these financial statements present the County and applicable component units for which the County is considered to be financially accountable. In 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Summary of Significant Accounting Policies (continued)

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred. Agency funds are categorized as fiduciary funds and are used to account for money held by the County on behalf of others (e.g., inmate funds and nursing home resident funds). Agency funds report only asset and liabilities and, therefore, have no measurement focus.

Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool are maintained that is available for use by all funds. The interest earnings attributable to each fund type are included under investment income.

Interfund Receivables and Payables

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

Inventory

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

Capital Assets

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

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

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

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

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

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Summary of Significant Accounting Policies (continued)

Compensated Absences

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

Long-Term Liabilities

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

Fund Equity

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

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

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

- *Nonspendable* – Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- *Committed* – Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority (i.e., County Delegation).
- *Assigned* – Represents amounts that are constrained by the County's intent to use these resources for a specific purpose. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet received. This also includes fund balance voted to be used in the subsequent year.
- *Unassigned* – Represents amounts that are available to be spent in future periods and deficit funds.

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

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

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Stewardship, Compliance, and Accountability

Budgetary Information

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

Budgetary Basis

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

Budget Information

Budgetary data is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

County departments submit proposed budgets to the County Commissioners, inclusive of funding sources. Hearings are conducted by the Commissioners prior to presenting for legal adoption by the County Delegation. During the fiscal year, appropriations may be transferred between specific line items as authorized by the Delegation, but not to exceed total approved budget.

Cash and Short-Term Investments

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

As of December 31, 2020, none of the County's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. Within the General Fund, the restricted cash amount of \$332,930 is composed of amounts from the Registry of Deeds surcharge fund and the Dube fund.

Allowance for Doubtful Accounts and Contractual Allowances

The allowance for doubtful accounts for Nursing Home receivables has been estimated at approximately \$205,000 at December 31, 2020. Nursing Home receivables are also reported net of contractual allowances.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Interfund Accounts

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is a summary of the December 31, 2020, balances in interfund receivable and payable accounts:

	Interfund Receivables	Interfund Payables
Governmental funds:		
General Fund	\$ 844,970	\$ -
Grant Fund	-	844,970
	844,970	844,970

Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 45,552	\$ -	\$ -	\$ 45,552
Construction in progress	3,297,505	35,650	-	3,333,155
	3,343,057	35,650	-	3,378,707
Capital assets being depreciated:				
Land improvements	1,710,651	17,545	-	1,728,196
Buildings and building improvements	26,947,388	239,150	-	27,186,538
Equipment	7,550,169	991,721	-	8,541,890
Vehicles	882,134	-	-	882,134
Sewer System	2,367,672	-	-	2,367,672
Water System	1,508,026	-	-	1,508,026
	40,966,040	1,248,416	-	42,214,456
Total capital assets, being depreciated				
Less Accumulated Depreciation:				
Land Improvements	1,483,607	43,813		1,527,420
Buildings and building improvements	10,892,826	811,117	-	11,703,943
Equipment	4,852,422	339,441	-	5,191,863
Vehicles	681,949	85,622	-	767,571
Sewer System	1,391,500	64,410		1,455,910
Water System	592,399	30,161	-	622,560
	19,894,703	1,374,564	-	21,269,267
Being Depreciated, Net	21,071,337	(126,148)	-	20,945,189
Net Assets	\$ 24,414,394	\$ (90,498)	\$ -	\$ 24,323,896

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Capital Assets (continued)

Depreciation expense was charged to functions of the County as follows:

General government	
General government	\$ 190,356
Public Safety	\$ 93,394
Corrections	\$ 237,833
Nursing Home	\$ 852,981
	\$ 1,374,564

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the County that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes. Deferred outflows total \$5,752,500 with \$5,494,709 attributable to the County's pension and \$257,791 attributable to the County's combined OPEB plan.

Tax Anticipation Notes Payable

On April 8, 2020, the County issued \$15,000,000 in tax anticipation notes with a maturity date of December 31, 2020, and an interest rate of 1.09% and 1.49%. The first note is Series A No. R-1 totaling \$12,149,900 and the second note is Series B (federally taxable) No. R-2, totaling \$2,850,100. \$9,500,000 was borrowed between May and December of 2020. The total \$9,500,000 was repaid with interest of \$38,059 on December 31, 2020.

Capital Lease Obligations

The County is the lessee of vehicles and energy savings performance upgrades under capital leases expiring in various years through 2036. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2020:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	210,311	86,561	296,872
2022	202,565	80,776	283,341
2023	202,565	75,251	277,816
2024	202,565	69,923	272,488
2025	202,565	64,595	267,160
2026-2030	1,012,825	201,303	1,214,128
2031-2035	1,012,825	133,922	1,146,747
2036-2040	202,223	6,200	208,423
	\$ 3,248,444	\$ 718,531	\$ 3,966,975
Total			

Vehicles financed by capital leases payable totaling \$322,577 are reported in capital assets net of \$289,575 accumulated depreciation.

The County entered into a 17-year capital lease agreement not to exceed \$3,443,264, with an interest rate of 3.6121%, related to the purchase and installation of equipment to improve electric efficiency throughout the County's buildings which is reported in capital assets as construction in progress on December 31, 2020. The current value of the project reported in capital assets is \$3,333,155 with a deposit remaining of \$110,109 to be expended and placed in service during 2021.

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Long-Term Liabilities

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are for the Nursing Home construction in the face amount of \$23,500,000. Future minimum bond payments consist of the following as of December 31, 2020:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	1,175,000	436,219	1,611,219
2022	1,175,000	386,281	1,561,281
2023	1,175,000	336,344	1,511,344
2024	1,175,000	299,625	1,474,625
2025	1,175,000	261,438	1,436,438
2026-2030	5,875,000	681,500	6,556,500
Total	\$ 11,750,000	\$ 2,401,407	\$ 14,151,407

Changes in Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities, inclusive of bond payable and capital lease payable obligations.

	<u>Balance December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Governmental activities -				
General obligation bond - public offerings; Nursing Home Construction (Originally \$23,500,000). Annual principal payment of \$1,175,000. Matures August 2030, interest ranging from 2.50 to 5.00%.	\$ 12,925,000	\$ -	\$ 1,175,000	\$ 11,750,000
Bank of New Hampshire Capital Lease, Energy Savings Performance Upgrade (Originally \$3,443,264), Matures December, 2036	\$ 3,443,264	\$ -	\$ 202,565	\$ 3,240,699
2017 Ford Interceptor, Capital Lease at 3.95% interest (Originally \$28,720), Matures June, 2020	\$ 7,452	\$ -	\$ 7,452	\$ -
2017 Ford Police Interceptor Utility 6100, Capital Lease at 4.45% interest (Originally \$56,523), Matures July, 2020	\$ 14,425	\$ -	\$ 14,425	\$ -
2018 Ford Police Interceptor Utility, Capital Lease at 3.32% interest (Originally \$30,409), Matures October, 2021	\$ 15,237	\$ -	\$ 7,492	\$ 7,745
2018 Ford P2M Police Interceptor AWD, Capital Lease at 3.19% interest (Originally \$51,458), Matures July, 2020	\$ 17,153		\$ 17,153	
	<u>\$ 16,422,531</u>	<u>\$ -</u>	<u>\$ 1,424,087</u>	<u>\$ 14,998,444</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Long-Term Liabilities (continued):

In addition to capital leases and bond payable, the County have other long-term liabilities which are reflected in the Statement of Net Position. A complete schedule of noncurrent liabilities and net change for the year are as follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Bonds payable	\$ 12,925,000	\$ -	\$ 1,175,000	\$ 11,750,000
Bond premium	605,064	-	55,006	550,058
Capital lease payable	3,497,531	-	249,087	3,248,444
Accrued bond interest	201,341	2,471		203,812
Compensated absences	314,535	192,035	-	506,570
Net pension liability	14,284,418	5,729,250	-	20,013,668
Net OPEB liability	2,106,753	216,721	-	2,323,474
	<u>\$ 33,934,642</u>	<u>\$ 6,140,477</u>	<u>\$ 1,479,093</u>	<u>\$ 38,596,026</u>

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the County that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows total \$668,102 with \$658,852 attributable to the County's pension and \$9,250 attributable to the County's combined OPEB plan.

Pension Plans

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

Defined Benefit Plan

Plan Description

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

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

Summary of Significant Accounting Policies

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

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Pension Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2020, the measurement date selected by the State of New Hampshire Retirement System, NHRS was funded at 58.72% and had a plan fiduciary net position of \$9,097,364,441 and a total pension liability of \$15,493,515,525 resulting in a net pension liability of \$6,396,151,084. As of June 30, 2020, the County's proportionate share of this was 0.31290% resulting in a liability of \$20,013,668.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the

County's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. As of June 30, 2020, the County's proportion of 0.31290% was an increase of 0.01603% from its proportion measured as of June 30, 2019. For the year ended December 31, 2020, the County recognized pension expense of \$3,041,649.

As of December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 540,466	\$ 214,889
Changes in assumptions	1,979,749	-
Difference between projected and actual earnings on pension plan investments	1,237,867	-
Changes in proportional share of contributions	890,401	-
Differences between the employer contributions and proportionate share of total contributions	-	443,963
Town's required employer contributions made subsequent to the measurement date	846,226	-
	\$ 5,494,709	\$ 658,852

The County reported \$846,226 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31st</u>	
2021	828,697
2022	915,286
2023	1,174,092
2024	1,071,556
2025	-
	\$ 3,989,631

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Pension Plans (continued)

Benefits Provided

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

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

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

Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and 11.55% for sheriff's deputies and correctional officers. The County makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16 and range from 11.38% to 29.43% of covered compensation. The County's contributions to NHRS for the year ended December 31, 2020, were \$1,584,634, which was equal to the annual required contribution.

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00% per year
Wage Inflation	2.75% per year (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 credibility adjustments 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, 2019, valuation was based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – 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. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Pension Plans (continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>2020 Weighted Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total International Equity	20.00%	
Core Bond	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total Fixed Income	25.00%	
Private Equity	10.00%	7.71%
Private Debt	5.00%	4.81%
Total Alternative Investments	15.00%	
Real Estate	10.00%	2.95%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 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 one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

Discount rate 1% Lower 5.75%	Discount rate Current 6.75%	Discount rate 1% Higher 7.75%
\$ 25,909,555	\$ 20,013,668	\$ 15,195,948

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Pension Plans (continued)

Pension Plan Fiduciary Net Position

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

Other Post-Employment Benefits – OPEB

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

County OPEB Plan

Plan Description

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

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

Benefits Provided

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

Membership Data

As of January 1, 2020, the valuation date, OPEB plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	143
	146

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, and measured as of December 31, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.12%
Healthcare cost trend rates	
Year 1 Inflation Rate	9.93%
Year 2 Inflation Rate	9.50%
Ultimate trend	5.00%
Year ultimate trend is reached	2030
Salary increases	2.5%

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Other Post-Employment Benefits – OPEB (continued)

Actuarial Assumptions and Other Inputs (continued)

The discount rate was based on the index provided by Bond Buyer 20-Bond General Obligation Index based on the 20-year AA municipal bond rate as of January 1, 2020.

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

Funding Policy

The County's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Changes in the Total OPEB Liability

	2020
Total OPEB Liability	\$ 1,038,929
Service Cost	83,620
Interest	25,938
Assumption changes	182,225
Loss attributable to experience	27,398
Benefit payments	(50,159)
Net Change in total OPEB liability	269,022
Total OPEB liability	\$ 1,307,951

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

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

Discount rate 1% Lower	Discount rate Current	Discount rate 1% Higher
\$ 1,201,248	\$ 1,307,951	\$ 1,420,352

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

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

Trend Rate 1% Lower	Current Cost Trend Rate	Trend Rate 1% Higher
\$ 1,145,060	\$ 1,307,951	\$ 1,499,164

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Other Post-Employment Benefits – OPEB (continued)

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$53,160. At December 31, 2020, the County reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 22,068	\$ -
Changes in assumptions	146,002	-
	\$ 168,070	\$ -

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

Year Ending December 31st	
2021	36,320
2022	36,320
2023	35,835
2024	35,452
2025	4,965
	\$ 148,892

New Hampshire Retirement System Medical Subsidy Plan

Plan Description

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

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

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly medical subsidy rates are:

1 person - \$375.56
2 person - \$751.12
1 Person Medical Supplement - \$236.84
2 Person Medical Supplement - \$473.68

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Other Post-Employment Benefits – OPEB (continued)

New Hampshire Retirement System Medical Subsidy Plan (continued)

Contributions

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

Actuarial Assumptions and Other Inputs

The County's proportionate share of the NHRS medical subsidy as of December 31, 2020, is based upon an actuarial valuation performed as of June 30, 2019 (rolled forward to June 30, 2020) using a measurement date of June 30, 2020. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.00% per year
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.6% average, including inflation
Investment rate of return	6.75%, net OPEB plan investment expense including inflation
Discount rate	7.25%

Mortality rates were based on the Oub-2010 Healthy Retiree Mortality tables with credibility adjustments 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, 2019, valuation was based on the results of the most recent experience study, which was for the period July 1, 2016 – June 30, 2019.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The County's proportionate share of the net OPEB liability for the NHRS MSP as of the measurement date of June 30, 2020, was \$1,015,523, representing 0.23201%.

For the year ended December 31, 2020, the county recognized expense related to the NHRS medical subsidy of \$53,160. At December 31, 2020, the County reported related deferred inflows and outflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,800	\$ (2,943)
Changes in assumptions	6,530	-
Differences between employer contributions and proportionate share of total contributions		(6,307)
	<u>\$ 10,330</u>	<u>\$ (9,250)</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Other Post-Employment Benefits – OPEB (continued)

New Hampshire Retirement System Medical Subsidy Plan (continued)

Net OPEB Liability, Expense, and Deferred Outflows and Inflows (continued)

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the year will be included as a reduction of the net OPEB liability in 2021.

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

<u>Year Ending</u> <u>December 31st</u>	
2021	(2,432)
2022	1,125
2023	1,341
2024	1,046
2025	-
	<u>\$ 1,080</u>

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

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

<u>Discount rate</u> <u>1% Lower</u>	<u>Discount rate</u> <u>Current</u>	<u>Discount rate</u> <u>1% Higher</u>
\$ 1,102,753	\$ 1,015,523	\$ 939,791

Healthcare Cost Trend Rate

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

Consolidation of OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the County's total OPEB liability and related deferred outflows/inflows, and the County's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2020:

	<u>Net OPEB</u> <u>Liability</u>	<u>Total</u> <u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Total</u> <u>Deferred</u> <u>(Inflows) of</u> <u>Resources</u>	<u>Total</u> <u>OPEB</u> <u>Expense</u>
County OPEB Plan	\$ 1,307,951	\$ 247,461	\$ -	\$ 182,561
NHRS Medical Subsidy Plan	1,015,523	10,330	(9,250)	53,160
	<u>\$ 2,323,474</u>	<u>\$ 257,791</u>	<u>\$ (9,250)</u>	<u>\$ 235,721</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Commitments and Contingencies

Outstanding Legal Matters

On an ongoing basis, there are typically pending legal matters in which the County is involved. The County's management is of the opinion that the potential future settlement of these matters would not materially affect its financial statements taken as a whole.

Grants

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

Encumbrances

At year-end, the County's General Fund had \$250,630 in encumbrances that will be honored in 2021.

Corona Virus

The COVID-19 outbreak in the United States and across the globe) has resulted in economic uncertainties. There has been considerable uncertainty around the duration and scope of economic disruption. The extent of the impact of COVID-19 on the County's operations and financial performance depends on developments, including the duration and spread of the outbreak, impact on individuals served by the County, employees, and vendors, all of which have been uncertain. During 2020, the County received significant funds to pay long-term care and first responder and emergency stipends in the amount of \$1,412,135.

Beginning Net Position Restatement

The beginning (January 1, 2020) net position of the County has been restated from the previous due to a reclassification of agency funds to County funds related to the Nursing Home in the amount of \$46,803.

Subsequent Events

We have examined subsequent events from the close of the fiscal year through the date of this report, July 26, 2021. The following items are material and will substantially impact the financial statements of the County

The County entered into a tax anticipation note during April 2021 in the aggregate amount of \$17,000,000, with a maturity date of December 31, 2021, and interest rates of 1.09% and 1.49%. The first note is Series A No. R-1 totaling \$13,406,998 and the second note is Series B (federally taxable) No. R-2, totaling \$3,593,002. \$3,000,000 was borrowed through July 26, 2021.

The County received \$9,500,000 in funds under the American Rescue Plan Act (ARPA). Funds must be used by December 31, 2024. The County is establishing a work plan for the use of these funds. If funds are not fully expended, repayment will be due December 31, 2026.

The County received an insurance refund totaling \$176,450 as overpayment on the expired audit period, of which the Commissioners have decided to credit towards the current year policies. The County also received \$15,041 in the settlement of an Opioid litigation case.

COUNTY OF CARROLL, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 NEW HAMPSHIRE RETIREMENT SYSTEM
 DECEMBER 31, 2020

SCHEDULE 1

	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 6,396,151,084	\$ 4,812,809,299	\$ 4,816,432,937	\$ 49,184,194	\$ 25,527,973,984	\$ 20,112,148,148
County's Proportion of the Net Pension Liability	0.3129%	0.2968%	0.2945%	32.0700%	0.0615%	0.0594%
County's Proportionate Share of the Net Pension Liability	20,013,668	14,284,418	14,184,395	15,773,371	15,699,704	11,946,616
County's Covered Employee Payroll (Measurement Date)	10,330,880	8,595,594	8,534,565	8,193,800	8,080,062	7,937,633
County's Proportionate Share of the Net Pension Liability as a Percentage of County's Covered Employee Payroll	193.73%	166.18%	166.20%	192.50%	194.30%	150.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.72%	65.59%	64.73%	62.66%	58.30%	65.47%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The single discount rate used to measure the net position liability was lowered from 7.25% to 6.75%, determined at the plan level.

Fiscal year 2014 was the first year of implementation (measurement date), therefore, only six years of the required ten are shown.

See disclaimer in accompanying Independent Auditor's Report.

COUNTY OF CARROLL, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 NEW HAMPSHIRE RETIREMENT SYSTEM
 DECEMBER 31, 2020

SCHEDULE 2

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 1,584,634	\$ 1,313,022	\$ 1,259,428	\$ 1,209,870	\$ 1,093,858	\$ 1,069,128
Contributions in Relation to the Actuarially Determined Contributions	<u>1,584,634</u>	<u>1,313,022</u>	<u>1,259,428</u>	<u>1,209,870</u>	<u>1,093,858</u>	<u>1,069,128</u>
Contribution Excess/(Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Employee Payroll	\$ 10,366,108	\$ 9,004,212	\$ 8,599,023	\$ 8,508,488	\$ 7,706,848	\$ 8,278,451
Contributions as a Percentage of Town's Covered Employee Payroll	15.29%	14.58%	14.65%	14.22%	14.19%	12.91%

Notes to Schedule

Valuation Date: June 30, 2020

Fiscal year 2014 was the first year of implementation (measurement date), therefore, only six years of the required ten are shown.

COUNTY OF CARROLL, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY

DECEMBER 31, 2020

	2020	2019	2018
Total Plan Net OPEB Liability	\$ 437,708,995	\$ 438,411,236	\$ 457,845,625
County's Proportion of the Net OPEB Liability	0.2320%	0.2436%	0.2397%
County's Proportionate Share of the Net OPEB Liability	1,015,523	1,067,824	1,097,234
County's Covered Employee Payroll (Measurement Date)	10,330,880	8,595,594	8,534,565
County's Proportionate Share of the Net OPEB Liability as a Percentage of County's Covered Employee Payroll	9.83%	12.42%	12.86%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.74%	7.75%	7.53%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The single discount rate used to measure the net position liability was lowered from 7.25% to 6.75%, determined at the plan level.

Fiscal year 2017 was the first year of implementation (measurement date), therefore, only three years of the required ten are shown.

COUNTY OF CARROLL, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - OPEB
 NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY
 DECEMBER 31, 2020

SCHEDULE 4

	2020	2019	2018
Contractually Required Contribution (Actuarially Determined)	\$ 107,692	\$ 106,257	\$ 107,570
Contributions in Relation to the Actuarially Determined Contributions	107,692	106,257	107,570
Contribution Excess/(Deficiency)	\$ -	\$ -	\$ -
Town's Covered Employee Payroll	\$ 10,366,108	\$ 9,004,212	\$ 8,599,023
Contributions as a Percentage of Town's Covered Employee Payroll	1.04%	1.18%	1.25%

Notes to Schedule

Measurement Date: June 30, 2020

Fiscal year 2017 was the first year of implementation (measurement date), therefore, only three years of the required ten are shown.

See disclaimer in accompanying Independent Auditor's Report.

COUNTY OF CARROLL, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND CONTRIBUTIONS
 THIRD PARTY OPEB
 FOR THE YEAR ENDED DECEMBER 31, 2020

SCHEDULE 5

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 1,038,929	\$ 957,799	\$ 940,153
Service Cost	83,620	60,681	66,058
Interest	25,938	38,892	32,037
Assumption changes	182,225	-	(62,732)
Loss attributable to experience	27,398		
Benefit payments	<u>(50,159)</u>	<u>(18,443)</u>	<u>(17,717)</u>
Net Change in total OPEB liability	<u>269,022</u>	<u>81,130</u>	<u>17,646</u>
Total OPEB liability	<u>\$ 1,307,951</u>	<u>\$ 1,038,929</u>	<u>\$ 957,799</u>
Covered employee payroll	\$ 6,897,991	\$ 7,462,603	\$ 7,280,588
Total OPEB liability as a percentage of covered employee payroll	18.96%	13.92%	13.16%

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of the Statement 75 to pay OPEB related benefits.

Does not include NEW Hampshire Retirement Medical Subsidy.

See disclaimer in accompanying Independent Auditor's Report.

COUNTY OF CARROLL, NEW HAMPSHIRE
ALL BUDGETED FUNDS

SCHEDULE 6

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
REVENUES:				
General Fund:				
County taxes	\$ 17,645,223	\$ 17,645,223	\$ 17,645,223	\$ -
Nursing home	11,881,868	11,881,868	12,806,168	924,300
Charges for services	1,515,458	1,515,458	1,820,962	305,504
Intergovernmental	14,000	14,000	50,438	36,438
Investment income	1,597	1,597	2,005	408
Miscellaneous	-	-	95,307	95,307
Total Governmental Funds	31,058,146	31,058,146	32,420,103	1,361,957
Grants Fund	1,241,818	1,869,020	1,486,969	(382,051)
Total Revenues	32,299,964	32,927,166	33,907,072	979,906
EXPENDITURES:				
General Fund:				
Current:				
General government	7,822,631	7,822,631	7,413,644	408,987
Public safety	2,472,869	2,472,869	2,239,968	232,901
Corrections	3,569,613	3,569,613	3,327,469	242,144
Human services	5,246,712	5,246,712	5,192,032	54,680
Cooperative extension	284,291	284,291	284,291	-
Economic development	403,805	403,805	403,805	-
Nursing home	11,005,941	11,005,941	10,570,015	435,926
Capital outlay	455,728	455,728	457,089	(1,361)
Debt service:				
Principal	\$ 1,377,566	\$ 1,377,566	1,424,087	(46,521)
Interest	657,414	657,414	615,380	42,034
Total Governmental Fund	33,296,570	33,296,570	31,927,780	1,368,790
Grants Fund	1,880,596	1,880,596	2,316,543	(435,947)
Total Expenditures	35,177,166	35,177,166	34,244,323	932,843
Excess (deficiency) of revenues over expenditures before other financing sources	(2,877,202)	(2,250,000)	(337,251)	1,912,749
Other Financing Sources:				
Transfers to Capital Reserve	(150,000)	(150,000)	0	150,000
Use of fund balance	2,400,000	2,400,000	2,400,000	0
Excess of revenues and other financing sources over expenditures	\$ (627,202)	\$ -	\$ 2,062,749	\$ 2,062,749

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

SCHEDULE 7

	Surcharge Equipment Fund	Capital Reserve Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ -	\$ 150,001	\$ 150,001
Restricted cash	105,340	-	105,340
Accounts receivable	-	-	-
Due from trustees	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 105,340</u>	<u>\$ 150,001</u>	<u>\$ 255,341</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Non-spendable	-	-	-
Restricted	-	-	-
Committed	105,340	150,001	255,341
Assigned	-	-	-
Unassigned / (Deficit)	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>105,340</u>	<u>150,001</u>	<u>255,341</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 105,340</u>	<u>\$ 150,001</u>	<u>\$ 255,341</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CARROLL, NEW HAMPSHIRE
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUNDS-NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

SCHEDULE 8

	Surcharge Equipment Fund	Capital Reserve Fund	Total Nonmajor Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental	32,558	-	32,558
Licenses and fees	-	-	-
Investment income	23	1	24
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>32,581</u>	<u>1</u>	<u>32,582</u>
EXPENDITURES:			
General government	-	-	-
Public safety	-	-	-
Highway and streets	-	-	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Capital Outlay:			-
General government	-	-	-
Public Safety	-	-	-
Highway and streets	-	-	-
Debt service:			-
Principal payments	-	-	-
Interest payments	-	-	-
Cemetery	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>32,581</u>	<u>1</u>	<u>32,582</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	150,000	150,000
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	32,581	150,001	182,582
Fund Balances, January 1, 2020	<u>72,759</u>	<u>-</u>	<u>72,759</u>
Fund Balances, December 31, 2020	<u>\$ 105,340</u>	<u>\$ 150,001</u>	<u>\$ 255,341</u>

The accompanying notes are an integral part of this financial statement.



Batchelder Associates, PC

INDEPENDENT AUDITOR'S 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

To the Board of Commissioners
County of Carroll
Ossipee, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Ossipee, New Hampshire, as of and for the year ended December 31, 2020, 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 July 26, 2021.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 2020-001 and 2020-002 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 deficiencies described in the accompanying schedule of findings and questioned costs as item 2020-003 to be significant deficiencies.

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 did not disclose 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

County of Carroll, New Hampshire's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Carroll, New Hampshire's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Batchelder Associates, P.C.
Barre, Vermont 05641
License #945
July 26, 2021

COUNTY OF CARROLL, NEW HAMPSHIRE
AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

Deficiencies in Internal Control:

Material Weaknesses:

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: 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 our audit and assess the cost-benefit of improving the internal control system to prevent similar future adjustments.

Management's Response:

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: 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

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

Management's Response:

Significant Deficiencies:

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: Material misstatements could be present in financial statement reporting.

COUNTY OF CARROLL, NEW HAMPSHIRE
AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

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

Management's Response:



Batchelder Associates, PC

County of Carroll, New Hampshire

Reports on Schedule of Expenditures of
Federal Awards, Internal Controls and
Compliance with Laws and Regulations

December 31, 2020

County of Carroll, New Hampshire
December 31, 2020

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Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of the County of Carroll, New Hampshire for the year ended December 30, 2020, and the related notes.

Management's Responsibility

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the expenditures of federal awards of the County of Carroll, New Hampshire for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Batchelder Associates, P.C.
Barre, Vermont
License #945
July 26, 2021



Batchelder Associates, PC

INDEPENDENT AUDITOR'S 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*

To the Board of Commissioners

County of Carroll

Ossipee, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Ossipee, New Hampshire, as of and for the year ended December 31, 2020, 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 July 26, 2021.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 2020-001 and 2020-002 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 deficiencies described in the accompanying schedule of findings and questioned costs as item 2020-003 to be significant deficiencies.

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 did not disclose 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

County of Carroll, New Hampshire's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Carroll, New Hampshire's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Batchelder Associates, P.C.
Barre, Vermont 05641
License #945
July 26, 2021



Batchelder Associates, PC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the County of Carroll, New Hampshire (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the County of Carroll, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing

an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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.

Batchelder Associates, P.C.
Barre, Vermont
License #945
July 26, 2021

**COUNTY OF CARROLL, NEW HAMPSHIRE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Program	Federal CFDA Number	Award Number	Award Amount	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
U.S. Department of Homeland Security								
Passed through New Hampshire Department of Safety								
Regional Communications Project Grant	LETPA	97.067	FY2017 HSGP	\$ 604,444	\$ 604,000	\$ -	\$ 604,000	\$ -
Regional Communications Project Grant	SHSP	97.067	EMW-2018-SS- 00055	\$ 540,000	\$ 222,977	\$ -	\$ 222,977	\$ -
				<u>\$ 1,144,444</u>	<u>\$ 826,977</u>	<u>\$ -</u>	<u>\$ 826,977</u>	<u>\$ -</u>
U.S. Department of Justice								
Victim Assistance	VOCA	16.575	2018-V2-GX-0036	\$ 32,500	\$ -	\$ 27,671	\$ 27,671	\$ -
			2017-MO-BX-0001	\$ 200,000	\$ -	\$ 47,164	\$ 47,164	\$ -
				<u>\$ 232,500</u>	<u>\$ -</u>	<u>\$ 74,835</u>	<u>\$ 74,835</u>	<u>\$ -</u>
U.S. Department of the Treasury								
Passed through New Hampshire Department of Revenue								
Coronavirus Relief Program	LTC Stabilization Funding	21.019		\$ 1,003,650	\$ 1,003,650	\$ -	\$ 1,003,650	\$ -
Coronavirus Relief Program	First Responder Funding	21.019		\$ 118,750	\$ 118,750	\$ -	\$ 118,750	\$ -
Coronavirus Relief Program	COVID Reimbursement Funding	21.019		\$ 289,735	\$ 289,735	\$ -	\$ 289,735	\$ -
				<u>\$ 1,412,135</u>	<u>\$ 1,412,135</u>	<u>\$ -</u>	<u>\$ 1,412,135.00</u>	<u>\$ -</u>
TOTAL AWARDS & EXPENDITURES:				<u>\$ 2,789,079</u>	<u>\$ 2,239,112</u>	<u>\$ 74,835</u>	<u>\$ 2,313,947</u>	<u>\$ -</u>

COUNTY OF CARROLL, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization- The County of Carroll, New Hampshire operates under a Board of Commissioners form of government and provides the following services as authorized by its charter including public safety, corrections, human services, cooperative extension, economic development, and nursing home.

- A. Uniform Guidance Reporting Entity – For purposes of complying with 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)*, the County includes all funds and programs that are considered part of the primary governmental unit, as described in the basic financial statements as of and for the year ended December 31, 2020.
- B. Basis of presentation – The information in the accompanying schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
1. Federal award – Pursuant to the Uniform Guidance, federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. The County receives direct federal awards, of which some are direct, and some are passed through the State of Vermont.
 2. Federal financial assistance – Under the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Federal financial assistance does not include direct federal cash payments to individuals.
 3. Major and nonmajor programs – The Uniform Guidance establishes risk-based criteria for determining those major programs to be tested for compliance with program requirements. Nonmajor federal programs are included on the Schedule of Expenditures of Federal Awards but are subject to lower levels of testing.
- C. Basis of accounting – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. SUB RECIPIENTS:

The County had no sub recipient awards during fiscal year ended December 31, 2020.

3. LOANS

The County had no loans of federal awards during fiscal year ended December 31, 2020.

COUNTY OF CARROLL, NEW HAMPSHIRE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

A: SUMMARY OF AUDITOR'S RESULTS:

Financial Statements –

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards –

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required by 2 CFR section 200.516(a) are reported: No

Identification of major programs:

- U. S. Department of Homeland Security CFDA #97.067 (Pass through)
- U.S. Department of the Treasury CFDA #21.019 (Pass through)

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

Auditee qualified as low-risk auditee: No

COUNTY OF CARROLL, NEW HAMPSHIRE
AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

B: AUDIT FINDINGS – FINANCIAL STATEMENTS:

Material Weaknesses:

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: 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 our audit and assess the cost-benefit of improving the internal control system to prevent similar future adjustments.

Management's Response:

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: 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

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

Management's Response:

Significant Deficiencies:

2020-003 Timely reconciliations and reporting

COUNTY OF CARROLL, NEW HAMPSHIRE
AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

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: Material misstatements could be present in financial statement reporting.

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

Management's Response:

C: AUDIT FINDINGS – FEDERAL AWARDS:

The audit disclosed no findings required to be reported.

PRIOR YEAR FINDINGS – None